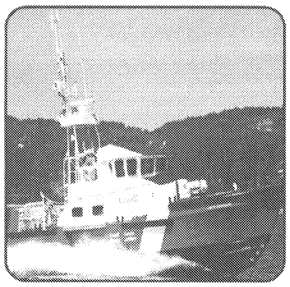
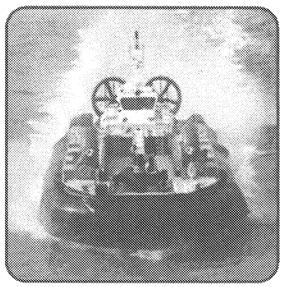
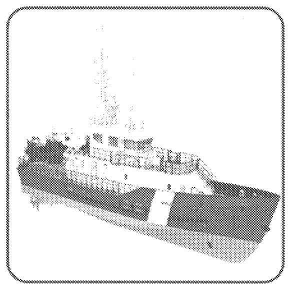
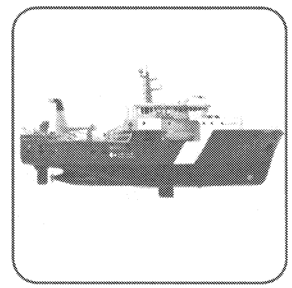
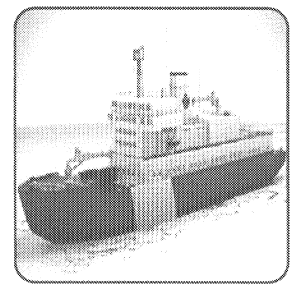
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Safety First, Service Always

Offshore Oceanographic Science Vessel Project

Briefing for the Commissioner

December 4, 2015

Canada

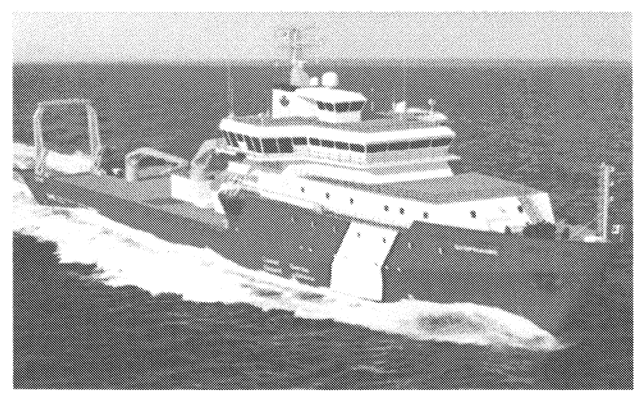
Outline

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This presentation will provide information on the Canadian Coast Guard (CCG) Offshore Oceanographic Science Vessel (OOSV) recapitalization project, including:

1. **Background Information**
   - Support for At-Sea Science
   - CCGS *Hudson*
   - OOSV project history
   - Key project milestones
2. **Current Status**
3. **Project Budget**
4. **Upcoming Decisions**
5. **Next Steps**

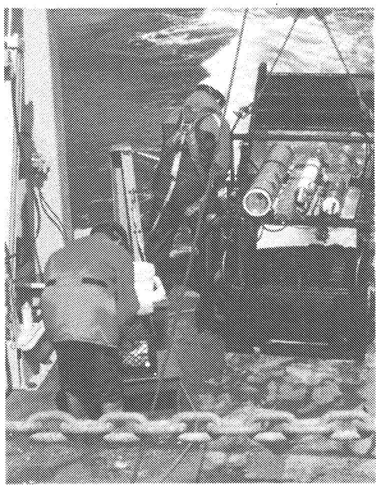




Background

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Support for At-Sea Science





- The Government of Canada's At-Sea Science Program is the foundation for monitoring the state of the oceans, assessing fisheries, acquiring hydrographic data and conducting the research and collaboration necessary for evidence-based decision-making
- Delivered primarily through the use of 17 Canadian Coast Guard (CCG) vessels
- CCG's fleet of two OOSV vessels:
  - Support multi-disciplinary, multi-stakeholder physical, chemical and biological expeditions
  - Service equipment that monitors global and regional oceanographic circulation and interactions
  - Support marine geology (coring and seismic surveying) which contributes to resource development and assessment of risks to marine ecosystems
  - Gather data for hydrographic charts, oceanographic engineering, establishing marine boundaries
  - Support other government departments and research organizations

Background

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CCGS *Hudson*

- CCGS *Hudson* is considered the flagship of Canada's At-Sea Science programs and fundamental to the science mandate of the Department of Fisheries and Oceans (DFO) and the Government of Canada, particularly Natural Resources Canada (NRCan)
- Operating April through December, CCGS *Hudson* supports monitoring and research activities that help scientists:
  - Examine chemical oceanography, including ocean acidification, oxygen depletion and other threats to fisheries productivity
  - Assess and provide advice on offshore energy and economic development (Natural Resources Canada)
  - Contribute to Canada's role as a regulator and partner in oceans management and development
- CCGS *Hudson* is considered a "magnet" for scientific collaboration, enabling our scientists to work with leading Canadian and international experts

"Canada's most famous scientific ship"

In 52 years of operation, CCGS *Hudson* has hosted hundreds of scientists and supported:

- The most detailed oceanographic wintertime survey ever attempted of the Labrador Sea
- The first oceanographic winter survey of Denmark Strait
- The first ever circumnavigation of North and South America
- The first survey to concentrate on the chemistry of Baffin Bay
- International programs such as the Joint Global Ocean Fluxes Study (JGOFS) and World Ocean Circulation Experiment (WOCE)

The *Hudson* also rescued the entire crew of Fisheries Patrol Vessel *Cape Freels* in 1976 – described at the time as the "greatest sea rescue in Newfoundland history"

Source: Bedford Institute of Oceanography

Background

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OOSV Project History

- Budget 2007 provided $108.9M to build one OOSV to replace the CCGS *Hudson*
  - Current budget of $144.4M [redacted] s.69(1)(g) re: (c)
  - New OOSV will be one of the first large vessels procured for CCG in almost two decades
- Project work started in 2008, and adjustments were made to remain within budget
  - Original concept adjusted, in terms of size and capability, to achieve value for money while also ensuring that operational requirements would be met
  - Final design accommodates "mission critical" capabilities and is supported by DFO Science and Natural Resources Canada
- Second project constructed at Vancouver Shipyards Co. Ltd. (VSY) under the National Shipbuilding Procurement Strategy (NSPS)
- The new OOSV is designed to have accommodations for about 56 scientists and crew members, and will be capable of operating in the Arctic during summer months

CCGS *Hudson* needs to be replaced

- **52 years old, oldest vessel in the CCG fleet**
- **Increasingly unreliable – putting scientific programs at risk**
  - In 2014-15, operated only 167 days of 202 planned for DFO Science
  - In 2012-13, operated only 6 days of 43 planned for NRCan

Background

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Key Project Milestones

Date	Milestone
July 2008	Project work began (budget of $108.9M)
2009	Vessel plans revised (size and capability) to meet a revised budget of $144.4M (
June 2010	NSPS announced
October 2010	Design contract awarded to STX Canada Marine Inc. (now VARD Marine)
October 2011	NSPS shipyards selected
November 2011	Design package accepted by CCG
October 2012	Contract with VSY to identify commonalities between the OFSV and OOSV
Spring 2015	Vessel design adjusted by VARD Marine to meet new regulatory requirements
November 2015	Contracts signed for initial construction engineering work
Fall 2016 (TBD)	
Winter 2017 (TBD)	Start of Construction
2018-19 (TBD)	Vessel delivery

s.69(1)(g) re: (c)

s.20(1)(c)

s.21(1)(b)

Current Status

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Progress at VSY

- OFSV delays have impacted the OOSV schedule, as VSY resources for both engineering and construction must complete OFSV work before they are available for OOSV
- As the OOSV project follows OFSV, it is benefiting from lessons learned and work undertaken by Canada and VSY to address issues

Pre-Construction Phase

- Contract signed with VSY to begin engineering work (basic design assessment) and initial work has begun at VSY

s.69(1)(g) re: (c)

-
-

s.69(1)(g) re: (a)

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Project Budget

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The current OOSV project budget of $144.4M set in 2009 is insufficient

- As with OFSV, the initial OOSV budget does not properly account for inflation, commodity prices, contingencies
  - In order to address the OFSV funding shortfall, CCG reallocated funds from other Fleet Renewal projects,
-
- Work is currently underway to develop updated costing for the OOSV project using benchmarking and CCG's costing methodology, which will be informed by known factors on VSY's cost structure and contract costs for the OFSV project
  - Informed and validated by a third party
  - Consistent with guidance from Treasury Board Secretariat's latest costing guidance from its Costing Centre of Expertise (e.g. confidence levels, risks)
  - Available in December 2015

s.69(1)(g) re: (a)

Upcoming Decision

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s.69(1)(g) re: (a)

Upcoming Decision

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Annex

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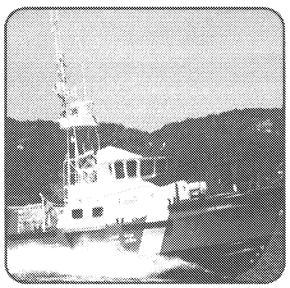
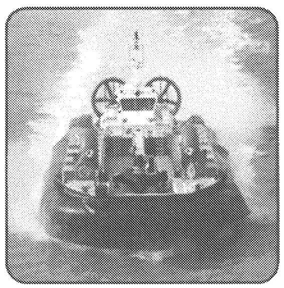
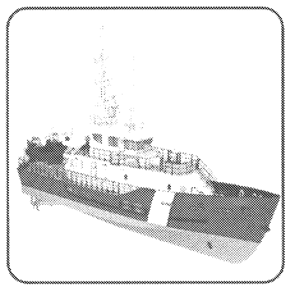
Technical Specifications of the new Offshore Oceanographic Science Vessel (in comparison to CCGS *Hudson*)

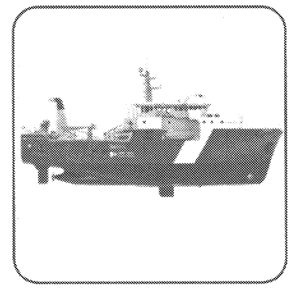
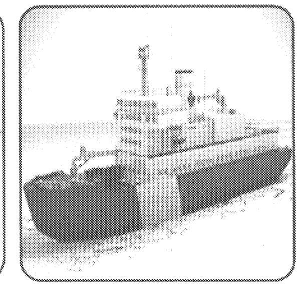
Technical Specifications	OOSV	CCGS *Hudson*
Displacement (tonnes)	3,680	4,660
Power (kW)	3,870	6,469
Length (m)	78.1	90.4
Beam (m)	16	15.4
Draft (m)	6.05	6.8
Range (nm)	13,250	23,100 (requires use of non-compliant fuel tanks)
Max. Speed (knots)	14	16.25
Propulsion Configuration	Diesel Electric with 2 Azimuthing Thrusters and single bow thruster	Diesel Electric with 2 conventional shafts and single bow thruster
Sea State	6	6
Ice Class	PC6	PC6
Helicopter	No	No (existing facility no longer usable)
Number of Berths	56	54
CCG Crew and Supernumeraries	33	31
Science	23	29
Lab Space (m^2)	300	98
Schedule for Delivery	2018-19	N/A
Age of Existing Vessel(s) (years)	N/A	49

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Canadian Coast Guard / Garde côtière canadienne

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Canadian Coast Guard Shipbuilding
Offshore Oceanographic Science Vessel Funding Issue

ADM Meeting

December 4, 2015

Canada

Outline

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This presentation will provide an overview of Canadian Coast Guard (CCG) shipbuilding projects, including funding issues and the way forward for the next project at Vancouver Shipyards – the Offshore Oceanographic Science Vessel (OOSV):

1. **CCG Fleet Renewal**
   - Currently Funded Projects
   - Fleet Renewal: Looking Forward
2. **Project Funding**
   - Issue History
   - OOSV Funding Shortfall
3. **Decision on OOSV**
   - Potential options
   - Items for discussion
   - Next Steps



CCG Fleet Renewal

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s.21(1)(a)

s.21(1)(c)

Currently Funded Projects

•Since 2005, close to $7 billion in fleet investments have been committed for renewal of the Canadian Coast Guard fleet. These investments are expected to renew:

	Projects	Current Status	Deliveries
100% of Helicopters	15 light-lift helicopters	Under contract; 10 delivered	2015-16
	7 medium-lift helicopters	Under contract	2017-18
	2 polar helicopters	Definition phase	TBC
	1 flight simulator	RFP process completed	2016-17
36 of 74 Small Vessels	Five 47-foot Motor Lifeboats	Completed	2010-2011
	Three Specialty Vessels	Completed	2009-2013
	3 Near-Shore Fishery Research Vessels	Completed	2012
	15 Search and Rescue Lifeboats	Under contract	2017-18 to 2021-22
	2 Channel Survey and Sounding Vessels	RFP expected Winter 2016	TBC
	6-9 other small vessels	Projects not yet created	TBC
24 of 43 Large Vessels	9 Mid-Shore Patrol Vessels	Completed	2012-2014
	3 Offshore Fisheries Science Vessels	Under contract	2017-18
	1 Offshore Oceanographic Science Vessel	Engineering phase	2018 (TBC)
	1 Polar Icebreaker	Design phase completed	2022 (TBC)
	5 Medium-Endurance Multi-Tasked Vessels	Project not yet created	
	5 Offshore Patrol Vessels	Project not yet created	

s.69(1)(g) re: (a)

CCG Fleet Renewal

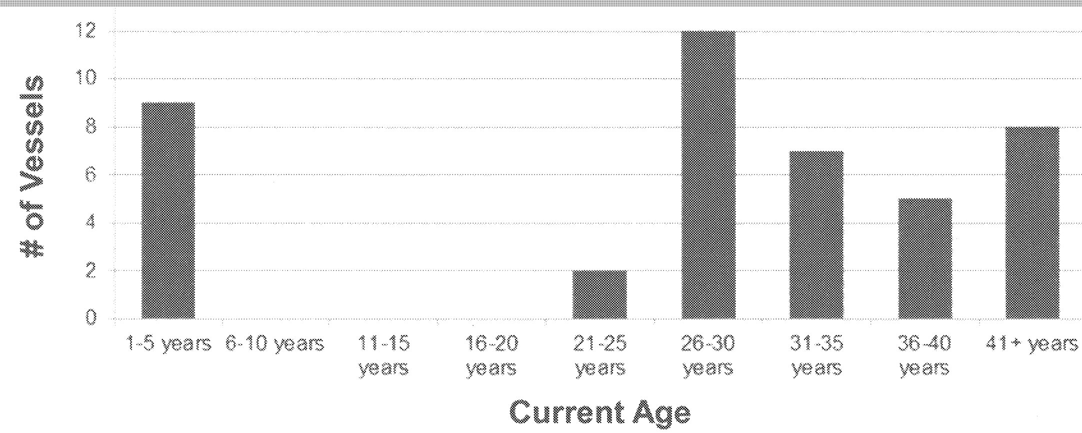
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Looking Forward

•While the currently funded Fleet Renewal Plan includes the recapitalization of 24 of 43 large vessels, the large vessel fleet is aging and needs to be replaced

•CCG is preparing a fully-costed updated Fleet Renewal Plan and exploring interim measures for sustaining program delivery where necessary

- Primarily recapitalization of the icebreaking fleet
- A key challenge is to ensure that new vessels with forward looking capability are ready for service as existing vessels reach the end of their service lives



s.21(1)(a)
s.21(1)(b)

Project Funding

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Issue History

- CCG is managing significant problems with initial OFSV and OOSV project budgets
- Original budgets did not account for inflation, nor did it properly account or include costs for project management, design and engineering costs, contingencies or the costs of putting new vessels into service (see Annex B for OFSV budget impacts)
-
- Signing the OFSV construction contract in June 2014 required CCG to increase the total project budget to $687M (
  - Increase of about $443M, or 181%, from the original budget of $244M
  - Funds were reallocated funds from other CCG Fleet Renewal projects,
- In 2011, CCG developed a more robust costing methodology for shipbuilding projects that integrates key factors (e.g. inflation, contingencies) in cost estimate calculations
  - Used for all other Fleet Renewal projects except the OFSV and OOSV projects
  - Expected to help ensure that CCG remains within planned budgets for new procurements, although large vessel projects have not been advanced enough to test it

Project Funding

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OOSV Funding Shortfall

s.21(1)(a)
s.21(1)(b)

- The current OOSV project budget of $144.4M is not sufficient
-
  - CCG is currently updating costing for the OOSV project using benchmarking, VSY's cost structure and third parties
    - Reflecting guidance from Treasury Board Secretariat's Costing Centre of Expertise, costing will be presented with an explanation of reliability/confidence levels, assumptions and key considerations
    - Will be available in December
- Despite the funding issue, work is progressing at VSY

s.69(1)(g) re: (c)

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s.69(1)(g) re: (a)

Project Funding

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-
  - Other funds were reallocated to OFSV from surpluses or unrequired funds for other Fleet Renewal projects (e.g. Air Cushion Vehicle, Helicopters)
  - Funds were also reallocated from the Medium-Endurance Multi-Tasked Vessel project,

s.21(1)(a)
s.21(1)(b)

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s.69(1)(g) re: (c)

s.69(1)(g) re: (a)

Decision on OOSV

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Potential Options

s.69(1)(g) re: (a)

Decision on OOSV

SECRET

Items for Discussion

s.69(1)(g) re: (a)

Decision on OOSV

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Considerations for OOSV

s.69(1)(g) re: (a)

Decision on OOSV

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Next Steps





s.69(1)(g) re: (c)

Annex A

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Since 2005, close to $7B* has been committed for CCG's Fleet Renewal

Project	Project Funding	Deliveries
Delivered		
Air Cushion Vehicles (2)		Delivered in 2008 and 2013
47 foot Motor Lifeboats (5)		Delivered in 2010-11
Specialty Vessels (3)		Delivered in 2009, 2010 and 2013
Near-Shore Fishery Research Vessels (3)		Delivered in 2012
Small craft (60) and environmental barges (30)		Delivered in 2010-11
Mid-Shore Patrol Vessels (9)	$227.0M	Delivered in 2012, 2013 and 2014
Under Contract		
Offshore Fisheries Science Vessels (3)	$687.0M	Deliveries expected in 2017-18
Search and Rescue Lifeboats (15)		Deliveries expected between 2017 and 2021
Helicopters (15 light-lift, seven medium-lift, two polar, flight simulator)		Light-lift deliveries in 2015-16 (10 delivered to date); Medium-lift deliveries by 2017-18
Pending		
Offshore Oceanographic Science Vessel (1)	$144.4M	Delivery expected in 2018
Polar Icebreaker (1)		Delivery expected in 2021-22
Medium Endurance Multi-Tasked Vessels (5)		Deliveries starting in
Offshore Patrol Vessels (5)		Deliveries starting in
Small Vessels (8-11)		TBD

s.21(1)(a)
s.21(1)(c)

**Includes approximately $460M for refit and vessel life extension, as well as additional small craft*

Annex B

- Initial OFSV project budget did not account for the following factors, which are key cost drivers for shipbuilding projects:

Factor	Cost
Inflation (since 2004)	$100M
Contingencies (commodity price escalations, current fluctuations and construction)	$83M
Integrated Logistic Support (training, spares)	$24M
Operationalization	$9.5M
	$216.5M

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

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BUDGET 2016: OFFSHORE OCEANOGRAPHIC SCIENCE VESSEL FUNDING

ISSUE:

s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

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CONTEXT:

- The new OOSV will replace CCGS *Hudson,* Canada's flagship science vessel. Its capacity is critical to delivering the science mandate of the Department of Fisheries and Oceans (DFO) and the Government of Canada, particularly Natural Resources Canada (NRCan). Further, the vessel is considered a "magnet" for scientific collaboration, enabling federal scientists to work with leading Canadian and international experts.

- The new OOSV will support monitoring and research activities on Canada's East Coast, that help scientists: examine chemical oceanography, including ocean acidification, oxygen depletion and other threats to fisheries productivity; assess and provide advice on offshore energy and economic development; and contribute to Canada's role as a regulator and partner in oceans management and development.

- The OOSV is the second project in the non-combat program of work awarded to Vancouver Shipyards, and follows Coast Guard's three Offshore Fisheries Science Vessels, two of which are currently in construction. Pre-construction engineering work for the OOSV, as well as the acquisition of long-lead items and material, is currently underway at the shipyard.

- The new OOSV is expected to be delivered in 2018-19, and is expected to enter service in time to support the 2019-20 science season.

STRATEGIC CONSIDERATIONS:

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s.69(1)(g) re: (d)

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- The Coast Guard has publicly acknowledged a potential shortfall for the previously announced project budget of $144.4 million and has confirmed that it is currently under review. As recently announced by the Minister of Public Services and Procurement, budgets for shipbuilding projects will no longer be made public until construction contracts are signed. It is natural for shipbuilding project estimates to be refined as work progresses and plans are informed by operational requirements, industry input and third-party advice. Not releasing early unrefined estimates is expected to resolve some of the public misconceptions about project costs.

NEAR-TERM DECISIONS:

s.69(1)(g) re: (a)

-

Prepared By	**Approved By:**
Leslie Cheeseman 613-998-8964 Policy Advisor June 2016	Derek Buxton A/Director General, Major Projects

Government of Canada | Gouvernement du Canada
Fisheries and Oceans | Pêches et Océans

GCCMS # 2016-009-00708
EKME # 3634787

To: Catherine Blewett | Date:

Object: **SCENARIO NOTE FOR THE DEPUTY MINISTER: ANNUAL SHIPYARD MEETING**

From: Jeffery Hutchinson, Deputy Commissioner, Strategy and Shipbuilding

Via: Jody Thomas, Commissioner

Additional approval:
Rosangela Guerra, Director, Business Support JUN 2 3 2016
Derek Buxton, A/Director General, Major Projects 25JUN16

	Your Signature	X	Information
	For Comments		Material for the Minister

Remarks:

The attached scenario note has been prepared for the Deputy Minister Governance Committee's annual meeting with executives from Vancouver Shipyards Co. Ltd. and Irving Shipbuilding Inc., which will be held on Wednesday, June 29, 2016.

Drafting Officer: LESLIE CHEESEMAN (998-8964)/RG/DB JUN 2 3 2016

2016-009-00708– Scenario Note for the Deputy Minister: Annual Shipyard Meeting
Leslie Cheeseman (998-8964), Policy Advisor / RG / DB / lc

Fisheries and Oceans Canada / Pêches et Océans Canada

Canadian Coast Guard / Garde côtière canadienne

Commissioner / Commissaire

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2016-009-00708

MEMORANDUM FOR THE DEPUTY MINISTER

SCENARIO NOTE FOR THE DEPUTY MINISTER – ANNUAL SHIPYARD MEETING
For Information

SUMMARY

The Deputy Minister Governance Committee for the Defence Procurement Strategy (DPS) and the National Shipbuilding Strategy (NSS) will hold its annual meetings with NSS shipyard executives on June 29, 2016, at Place Du Portage, Phase 3, Tower A, in the Michael G. Nurse boardroom (17A1).

Deputy Ministers will convene prior to the meetings, from 8:30 A.M. to 9:30 A.M. to prepare for discussions with the shipyards. The meeting with Vancouver Shipyards Co. Ltd. will be held from 9:30 A.M. until 11:30 A.M., and the meeting with Irving Shipbuilding Inc. will be held from 12:00 P.M. until 1:30 P.M.

Agendas, a backgrounder, decks and a scenario note with and suggested messages are attached.

Jeffery Hutchinson, Deputy Commissioner, Strategy and Shipbuilding, and I are available to attend these meetings with you.

Jody Thomas

Attachments (5)
Tab 1 – Scenario Note
Tab 2 – Agendas for shipyard meetings
Tab 3 – Backgrounder: Assistant Deputy Minister Committee Items Identified for Discussion
Tab 4 – Deck to be presented by Vancouver Shipyards Co. Ltd.
Tab 5 – Deck to be presented by Irving Shipbuilding Inc. (to be provided)

2016-009-00708 – Scenario Note for the Deputy Minister – Annual Shipyard Meeting
Leslie Cheeseman, 998-8964, Policy Advisor / RG / DB / lc

SCENARIO NOTE

ANNUAL SHIPYARD MEETING

Overview

The Deputy Minister Governance Committee (DMGC) for the Defence Procurement Strategy (DPS) and the National Shipbuilding Strategy (NSS) will hold its annual meetings with NSS shipyard executives on June 29, 2016, at Place Du Portage, Phase 3, Tower A, in the Michael G. Nurse boardroom (17A1).

The outline for the meetings is as follows:

8:30-9:30 A.M.	Pre-meeting discussion (DMGC members only)
9:30-11:30 A.M.	Meeting with Vancouver Shipyards Co. Ltd.
12:00-1:30 P.M.	Meeting with Irving Shipbuilding Inc.

Agendas are provided for the shipyard meetings (Tab 2).

Participants for the meeting with Vancouver Shipyards Co. Ltd. are:
- Larry Simkins, Chief Executive Officer, Washington Group;
- Johnathan Whitworth, Chief Executive Officer, Seaspan ULC;
- Brian Carter, President, Seaspan Shipyards; and
- Graeme Thomson, Vice President, Program Management.

Participants for the meeting with Irving Shipbuilding Inc. are:
- James D. Irving, Co-Chief Executive Officer, J.D. Irving Ltd.;
- Ross Langley, Executive Vice President, J.D. Irving Ltd. and Vice Chairman, Irving Shipbuilding Inc.;
- Kevin McCoy, President, Irving Shipbuilding Inc.;
- Scott Jamieson, Vice President, Programs, Irving Shipbuilding Inc.; and
- Chris MacDonald, Vice President, Government Relations and Industrial Benefit Programs, J.D. Irving Ltd.

These annual meetings are an opportunity for shipyard executives to provide information on their progress with shipbuilding projects, as well as contributions to industry-wide economic benefits. It is also an opportunity to discuss issues that may impact the success of the NSS.

Details and key messages are provided for issues that may be raised at the meetings.

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

PART A – PRE-MEETING DMGC DISCUSSION

1. Expectations for the meeting with Vancouver Shipyards Co. Ltd.

s.69(1)(g) re: (c)

Objective

Prepare your colleagues for the discussion with Vancouver Shipyards.

Key Messages

- **My officials have worked with Vancouver Shipyards and I think their deck will facilitate a frank and open discussion about the forecasts for construction of the first Offshore Fisheries Science Vessel, and what they are doing to manage costs and schedule.**
-

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2. Expectations for the meeting with Irving Shipbuilding Inc.

Objective

Key Messages

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PART B – MEETING WITH VANCOVER SHIPYARDS CO. LTD.

1. Cost and Schedule Forecasts for Offshore Fisheries Science Vessels (OFSV) Construction

Two of Coast Guard's three new OFSVs are currently under construction at Vancouver Shipyards. Construction of the first ship started in June 2015

Construction of the second ship began in March 2016.

OFSV construction is essentially a pilot project for the shipyard and its new infrastructure.

The Coast Guard is closely monitoring construction, supported by third-party expert SPAR Associates. SPAR reviews Earned Value Management data on costs, schedule and tasks and provides weekly reports and monthly forecasts to support oversight of progress at the yard.

The shipbuilding contract obligates Vancouver Shipyards to deliver three Offshore Fisheries Science Vessels for no more than the ceiling price of $514M.

If new OFSVs are delayed, there may be impacts to the delivery of science programs. The Coast Guard is working closely with the Department of Fisheries and Oceans' Science sector to monitor schedule changes and mitigate potential program risks.

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Objectives
Express support for the NSS, and enquire about the shipyard's progress

Key Messages

-
- **Over the long-term, we will measure success as getting the ships we need, on time and on budget, and re-building Canada's shipbuilding industry.**
- **In the near-term, the Coast Guard needs these three ships to replace aging ships so that we can continue to support evidence-based decisions on the management of our fisheries.**
- **There have been problems, but these are not unexpected for the first project at a "green" shipyard. It is important that we apply lessons learned and improve as we move forward.**
-

2. Delays in Offshore Oceanographic Science Vessel (OOSV) Engineering

Pre-construction engineering work for the OOSV project started in November 2015, with a Basic Design Assessment (BDA) phase. This phase is now considered largely complete, although the work has taken about two months longer than originally planned. In recent weeks there were some delays due to negotiation of the contract terms, but these are now resolved and the next phase of engineering in underway.

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Subsequent follow-up work conducted by the shipyard in conjunction with the Coast Guard and the ship designer has now resolved most of these concerns and we have an agreed way forward.

The project team (Coast Guard and Public Services and Procurement Canada) will continue to work collaboratively with the shipyard to advance the OOSV design work as rapidly as possible in accordance with the contract and the shipyard's engineering processes.

Objective

Assure the shipyard that the Coast Guard is committed to advancing the OOSV pre-construction work as rapidly as possible and seek assurances that they have the resources available to execute this work.

Key Messages

- **I am aware of the delays in OOSV engineering work and I assure you that it is my desire to keep this project moving as quickly as possible.**
- **We are all learning as we go. I understand that there have been some issues with managing expectations around engineering work. I know we have made great strides in building our working relationship – and we have learned to relax the reins a little to enable you to execute the work according to your processes.**
- **I trust that you have the resources available to follow through with this work expeditiously in order to avoid or minimize impacts to other elements of the non-combat program of work.**

3. Increasing the Coast Guard's On-Site Presence at the Shipyard

The Coast Guard has had an on-site presence at Vancouver Shipyards since April 2014. The on-site office was established to be a first point of contact for Vancouver Shipyards for a large number of ship construction-related issues, so that they can be addressed as expeditiously as possible, either on site at the working level or by ensuring matters are redirected promptly to the appropriate desk officer in Ottawa. In addition, the on-site office is responsible for technical inspections and acceptance activities.

Currently, the Coast Guard's on-site office includes 6 personnel. At its peak, this team is expected to be composed of eight personnel.

Objective
Clarify the Coast Guard's plans for its on-site office.

Key Messages

- **The Coast Guard has had an on-site presence at Vancouver Shipyards since 2014. Our team is focused on technical inspection, but has been available to respond to inquiries from their shipyard counterparts. We have also expended considerable resources to ensure project and technical staff are available to execute work on-site as needed.**
-
-

4. Issue: Esquimalt Graving Dock

Shipyard executives may raise the question of control of the Esquimalt Graving Dock. The graving dock is owned by Canada (managed by Public Services and Procurement Canada), and leased to contractors like Vancouver Shipyards as required. For example, Vancouver Shipyards has used the facility for sub-contracted work on the Royal Canadian Navy's frigate life extension and submarine programs.

Objective
Defer to the Deputy Minister responsible for Public Services and Procurement Canada.

Key Messages

- **I defer to my colleague as this is an issue for Public Services and Procurement Canada.**

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

PART C – MEETING WITH IRVING SHIPBUILDING INC.

1. Arctic Offshore Patrol Ships (AOPS) Construction

A shipbuilding contract for six AOPS was signed with Irving Shipbuilding Inc. in January 2015, and construction began the following September.

s.69(1)(g) re: (a)

Objectives

Key Messages

- **I defer to my colleagues as this is an issue for National Defence and Public Services and Procurement.**

2. Progressing with the Canadian Surface Combatant (CSC) Project

Following AOPS, Irving will build 15 CSC ships for the Royal Canadian Navy. The government of Canada has recently announced a refined procurement strategy for the CSC project, which involves moving forward with an existing warship design for the CSC ships and the shipyard undertaking a Request for Proposals process to competitively select a sub-contractor for the warship design and associated combat systems.

Objective

Receive information on the CSC Project.

Key Messages

- **I defer to my colleagues as this is an issue for National Defence and Public Services and Procurement.**

Defence Procurement Strategy | **Stratégie d'approvisionnement en matière de défense**

DEPUTY MINISTER GOVERNANCE COMMITTEE
Wednesday, June 29, 2106
Seaspan
9:30 a.m. – 11:30 a.m.
Place du Portage, Phase 3, Tour A, 17A1
Michael G. Nurse boardroom

s.20(1)(c)
s.21(1)(b)

AGENDA

#	Timing	Agenda item / *Documents in italics*	Purpose	OPI
		Seaspan		
1.		**Opening Remarks**		
2.		**Update by Seaspan**		
3.		**Offshore Fisheries Science Vessels Discussion** - Discuss project progress and issues, recovery plans and lessons learned		
4.		**General Discussion**		
5.		**Roundtable / Closing Remarks**		

Page 40

is not relevant

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s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

ADMC – Items Identified for Shipyard Meeting Discussion

At the June 22, 2016 meeting of the Defence Procurement Strategy Assistant Deputy Minister Committee (ADMC) members proposed a number of items that may be topics of discussion at the annual meeting between the shipyards and the Deputy Minister Governance Committee (DMGC) on June 29th, 2016.

The following is a summary of items which DMs may wish to flag in their discussions with the shipyards, or that may be brought to the attention of DMGC by the shipyards, for which the government will need to respond.

Vancouver Shipyards (VSY)

Content of the Presentation

The draft Presentation provided On June 20, 2016, included:

- Accomplishments to date and actions underway;
- Program challenges;
- Project updates, with an emphasis on OFSV; and
- Update on economic benefits.

Nature of the Discussion

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

Irving Shipbuilding Inc. (ISI)

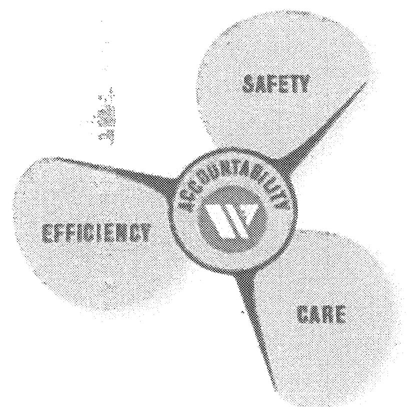
Content of the Presentation

As of June 22, 2016, ISI has only provided a draft outline for their planned presentation. Based on the outline, ISI will provide a very similar update to VSY however with a strong focus on the upcoming Canadian Surface Combatant (CSC) project.

As the specific content of the presentation is not yet known,

Nature of the Discussion

seaspan SHIPYARDS



Deputy Ministers' Governance Committee:
NSS Non-Combat Program

June 29, 2016

Larry Simkins, Chief Executive Officer, Washington Group
Jonathan Whitworth, Chief Executive Officer, Seaspan ULC
Brian Carter, President, Seaspan Shipyards
Graeme Thomson, Vice President, Program Management, Seaspan Shipyards

Pages 44 to / à 61

are withheld pursuant to sections

sont retenues en vertu des articles

20(1)(b), 20(1)(c), 24(1)

of the Access to Information Act

de la Loi sur l'accès à l'information

Government of Canada Fisheries and Oceans | Gouvernement du Canada Pêches et Océans

GCCMS # 2016-009-00749
EKME # 3643349, 3643259

To: Chris Henderson | Date:

Object: **BACKGROUNDER ON VANCOUVER SHIPYARDS (MINISTER'S TRIP TO BC)**

From: Derek Buxton, A/Director General, Major Projects JUL 18 2016

Additional approval:
Rosangela Guerra, Director, Business Support JUL 15 2016

	Your Signature	X	For Approval
	For Comments		Material for the Minister

Remarks:

Please find attached, for your review and approval, the updated backgrounder on Vancouver Shipyards Co. Ltd., which has been requested for the Minister's upcoming trip to British Columbia.

Drafting Officer: LESLIE CHEESEMAN (998-8964) JUL 14 2016

BACKGROUNDER

Shipbuilding and Vancouver Shipyards Co. Ltd.

When the federal government began a series of significant investments in 2005 to recapitalize the fleets of the Royal Canadian Navy and the Canadian Coast Guard, it had been close to two decades since major federal orders for vessels had been made. As a result, the shipbuilding industry in Canada was languishing. Vancouver Shipyards Co. Ltd. (VSY), owned by Seaspan Shipyards, was chosen in 2011 through a competitive process to be the long-term source of supply for large non-combat vessels under the National Shipbuilding Strategy (NSS, formerly the National Shipbuilding Procurement Strategy). VSY's package currently includes the following seven vessels (originally estimated at a cost of $4.3B), in order of their construction:

- 3 Offshore Fisheries Science Vessels (OFSV) – Canadian Coast Guard
- 1 Offshore Oceanographic Science Vessel (OOSV) – Canadian Coast Guard
- 2 Joint Support Ships – Royal Canadian Navy
- 1 Polar Icebreaker – Canadian Coast Guard

Under the rules of the NSS, the successful bidders for the large vessel work – Irving Shipyards and Seaspan Shipyards (as well as its subsidiary VSY and Victoria Shipyards) – may not bid to construct the small vessels (open to other Canadian shipyards). That said, the company can bid on repair and overhaul work for existing vessels.

Challenges to Date

Unlike Irving Shipyards, VSY did not have recent or relevant experience constructing large vessels or working with Canada. To prepare for the non-combat vessels, VSY undertook significant work to modernize and upgrade its infrastructure (at a cost of some $170M to the shipyard), hire staff and establish key systems and processes, some of which is still under way. (Seaspan's Victoria Shipyards has had experience working with the Royal Canadian Navy on the Halifax Class modernization and submarine in-service support. Seaspan has also built 47-foot motor lifeboats for the Coast Guard and has done refit work at both Vancouver and Victoria shipyards.)

As such, VSY is considered a "green" shipyard (being new, its yard has yet to produce a ship) and the company has faced challenges to get ready for construction of the vessels. This has inevitably had significant impacts on the first project at the shipyard – CCG's three OFSVs.

The state of major procurement expertise in the federal government was also "green." It had been close to 20 years since that last major investment in a large vessel project, and Coast Guard no longer had the in-house practical knowledge and skills needed to budget and manage an undertaking of this scale. The initial estimates established for the OFSVs and Offshore Oceanographic Science Vessel (OOSV), which were among the first to receive funding in 2005 and 2007, underestimated the effects of macro-economic drivers on large-scale vessel

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

procurement projects. As a result, the budgets for these projects did not properly factor in the impact of economic factors such as exchange and labour rates, inflation, commodity prices and contracting costs. Nor did they include adequate contingencies based on current project management best practices. Given that the vessels are not being built as originally scheduled, inflation alone can account for a 35% rise in estimated costs for the vessels.

However, many of the lessons learned through the OFSV project are expected to result in improvements in future projects. In addition, Coast Guard has since developed strong internal project management capacity and processes, including a formal costing methodology. Budgets for its subsequent large vessel procurement projects were established using this improved process and methodology, which should reduce the risk of future projects facing similar financial challenges as the OFSVs and OOSV projects.

Status of Current Projects

1. *Offshore Fisheries Science Vessels (OFSV)*

Coast Guard is currently in contract for the construction of three OFSVs. A contract for pre-construction engineering work also remains in place to complete engineering activities. Construction of the first vessel began in June 2015, and work on the second vessel began in March 2016. Construction of the third vessel is currently expected to begin in early 2017.

A third party is engaged to support oversight of construction by monitoring the shipyard's efforts to adhere both to the timetable and the budget.

The significant increase in the OFSV budget has been covered by the media. Coast Guard's original budget of $244M for the OFSVs was established in 2004 and did not account for several factors that would have altered the figure considerably. This estimate, combined with the costs associated with working with VSY required that Coast Guard increase the OFSV project budget from $244M $687M, funding the shortfall from other Fleet Renewal projects. The contract ceiling price for construction is $514M (includes profit and risk reserve, excludes taxes), and there are incentives for the shipyard to deliver the OFSVs at less than the ceiling price.

2. *Offshore Oceanographic Science Vessel (OOSV)*

VSY is aware of similar budget issues with the OOSV budget. The Coast Guard has been transparent that a shortfall has been identified for the OOSV project, and has publicly stated that the budget is under review.

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

A contract was also signed with VSY in November 2015 to begin pre-construction engineering work for the OOSV. A contract was signed in February 2016 for the acquisition of long-lead items. VSY is expected to begin construction of that vessel in early 2018. It is expected to be delivered in 2019.

3. Polar Icebreaker

In October 2013, the Government of Canada decided to have the Navy's two Joint Supply Ships built before the Polar Icebreaker at VSY. This sequencing of projects at the shipyard has delayed construction of the Polar Icebreaker, currently expected to begin in 2020-21 and delivered in 2022-23.

Preliminary design work for the Polar Icebreaker was completed in 2014, and the project remains well positioned to succeed in the subsequent engineering and construction phases of the project. Coast Guard will hold be planning discussions with VSY in the coming months to prepare for the start of pre-construction work (engineering and acquisition of long-lead items) in early 2017.

<u>Future Projects – Medium Endurance Multi-Tasked Vessels (MEMTV) and five Offshore Patrol Vessels (OPV) projects</u>

The CCG's five Medium Endurance Multi-Tasked Vessels (MEMTVs) and five Offshore Patrol Vessels (OPVs) projects (original total estimated cost of approximately $3.3B) are also expected to be constructed at VSY. Projects were announced via a political announcement and press release,[1]

VSY's progress towards this milestone is being tracked and evaluated by third-party expert First Marine International (FMI);

[1] Government of Canada news release announcing that Vancouver Shipyards would be building up to 10 additional non-combat ships for the Coast Guard. http://news.gc.ca/web/article-en.do?nid=778419

Government of Canada Fisheries and Oceans | Gouvernement du Canada Pêches et Océans

MECTS # 2016-009-00988

To: Catherine Blewett Date:

Object: **SCENARIO NOTE - MEETING WITH BRIAN CARTER, PRESIDENT, SEASPAN (SEPTEMBER 21, 2016)**

From: Jeffery Hutchinson, Deputy Commissioner, Strategy and Shipbuilding

Via: Jody Thomas, Commissioner, Canadian Coast Guard

SEP 1 9 2016

Additional approvals:

Rosangela Guerra, Director, Business Support
Robert Wight, Director General, Major Projects

☐	Your Approval	X	Information
☐	For Comments	☐	Material for the Minister

Remarks:

The Department has assessed this issue in full.

☒ It contains no reference to matters covered by the screen relating to J.D. Irving Limited.

☐ It contains matters referenced in the screen relating to J.D. Irving Limited, but in our view does not engage the screen.

☐ In our view, the screen relating to J.D. Irving Limited should be engaged.

Please find attached the scenario note and key messages for the September 21, 2016 meeting with Mr. Brian Carter, President of Seaspan Shipyards. Mr. Carter has requested to meet with you as a courtesy call and no agenda has been articulated.

Drafting Officer: JILLIAN STEEVES (949-9228) (JR ANALYST) RG / RW / df

Fisheries and Oceans Canada | Pêches et Océans Canada
Canadian Coast Guard | Garde côtière canadienne
Commissioner | Commissaire

SECRET

2016-009-00988

MEMORANDUM FOR THE DEPUTY MINISTER

SCENARIO NOTE: MEETING WITH MR. BRIAN CARTER, SEASPAN SHIPYARDS (FOR INFORMATION)

SUMMARY OF ADVICE TO DEPUTY MINISTER

The purpose of this note is to prepare you for an upcoming meeting scheduled with Mr. Brian Carter, President, Seaspan Shipyards. Seaspan Shipyards is the parent company of Vancouver Shipyards, which is currently building the non-combat ships for the Canadian Coast Guard and the Department of National Defence under the National Shipbuilding Strategy.

Commissioner Jody Thomas is expected to accompany you at this meeting.

The meeting is scheduled for Wednesday, September 21, 2016.

A scenario note, which includes suggested messages, is attached under Tab 1.

Jody Thomas
Commissioner

SEP 1 9 2016

Attachment (1)
Tab 1- Scenario Note

2016-009-00988- Scenario Note: Meeting with Mr. Brian Carter, Seaspan
Jillian Steeves (949-9228), Jr. Policy Analyst / RG / RW / js

Tab 1

SECRET

SCENARIO NOTE

MEETING WITH MR. BRIAN CARTER, SEASPAN SHIPYARDS

Overview

You will be meeting with Mr. Brian Carter, President of Seaspan Shipyards, on September 21, 2016.

This meeting was requested by Mr. Carter, who will be in Ottawa this week and wished to schedule a half hour meeting with you. This is perceived as a courtesy call, as no specific agenda was articulated by Seaspan Shipyards for the meeting.

Seaspan Shipyards is the parent company of Vancouver Shipyards Co. Ltd. (VSY), the shipyard selected to build Coast Guard vessels as part of the National Shipbuilding Strategy (NSS) non-combat program. Canada's Umbrella Agreement with the shipyard includes the construction of the Coast Guard's three Offshore Fisheries Science Vessels (OFSV), one Offshore Oceanographic Science Vessel (OOSV) and one Polar Icebreaker.

This note provides details and key messages for issues that should be raised at the meeting.

Deputy Minister's Objectives

.../2

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)
s.21(1)(c)

SECRET

Key Messages

2. OFSV Shipbuilding Contract Amendment

s.69(1)(g) re: (c)

.../3

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)
s.21(1)(c)

SECRET

Deputy Minister's Objectives

Key Messages

3. **Offshore Oceanographic Science Vessel Construction Engineering Progress**

OOSV construction engineering work is behind schedule, which could increase the risk of a gap in production between the OFSV and OOSV projects.

The Coast Guard has had an on-site presence at the yard since 2014. A full team of technical inspectors is in place, and there is an on-going process to hire additional staff to support engineering work. There have been challenges in building Coast Guard's on-site presence, as it has been difficult to recruit suitable candidates who are willing to relocate to Vancouver.

.../4

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)
s.21(1)(c)

Deputy Minister's Objectives

Key Messages

Pages 73 to / à 77

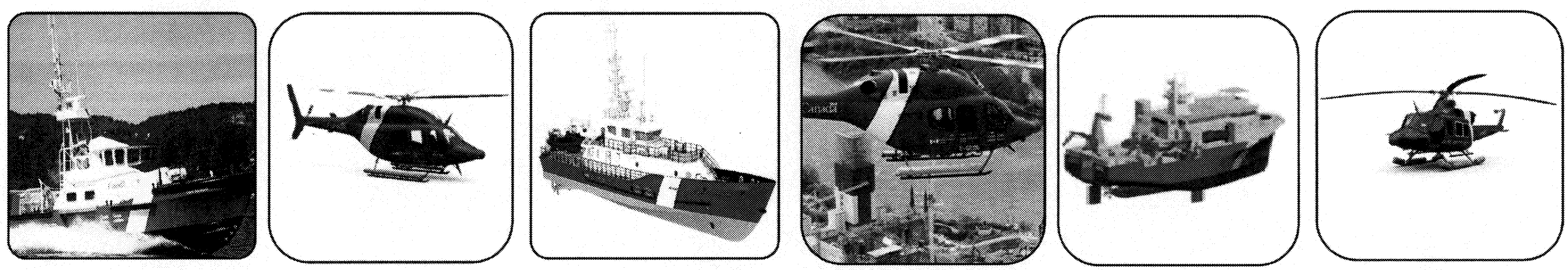
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Fisheries and Oceans Canada | Pêches et Océans Canada

Canadian Coast Guard | Garde côtière canadienne

Safety First, Service Always



OOSV
DG MP Update Brief
28 October 2016

EKME #3619027

Canada

s.19(1)

OOSV Project Calendar September

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
31 9:00am NSS Update 9:00am NSS Weekly Update; TPSGC CONF Ott-270Albert-7-719 CONF P... 11:30am OOSV Core Team Meeting; DFO CONF Ottawa-2...	**Nov 1** 12:00pm FW: OOSV Weight and Stability Weekly Sub-IPT Meeting; RM-SS-VSY-OC-Meeting Room #5; Ben White	2 9:00am OOSV Risk Control Board (RCB); 200 Elgin, 3Fl M... 11:30am Weekly VSY Teleconference (OOSV); DFO ... 1:00pm Review CCG's OOSV Master Schedule (attached do...	3 10:30am OOSV Internal Project Team meeting ; DFO CONF Ot... 10:30am OOSV Internal Project Team meeting ; DFO CONF Ot... 1:30pm Canceled: Science Vessels DFR Forecast Review; ...	4 2:30pm FW: OOSV Weekly update with DG**at ELGIN**; 200 Elgin - Main Boardroom; Wight, Robert
7 9:00am NSS Update 9:00am NSS Weekly Update; TPSGC CONF Ott-270Albert-7-719 CONF P... 11:30am OOSV Core Team Meeting; DFO CONF Ottawa-2...	8 12:00pm FW: OOSV Weight and Stability Weekly Sub-IPT Meeting; RM-SS-VSY-OC-Meeting Room #5; Ben White	9 11:30am Weekly VSY Teleconference (OOSV); DFO CONF Ottawa-200ElginSt-3-10-MCP2 CONF MPO; DFO CONF Ottawa-200ElginSt-3-10-MCP3 CONF MPO; OOSV / NHSO (D...	10 10:30am OOSV Internal Project Team meeting ; DFO CONF Ottawa-200ElginSt-3-10-MCP2 CONF MPO; Egener, Peter	11 2:30pm FW: OOSV Weekly update with DG**at ELGIN**; 200 Elgin - Main Boardroom; Wight, Robert
14 8:00am **OOSV PRM/TRM:** VSY - Vancouver; OOSV / NHSO (DFO/MPO) 5:00pm 9:00am NSS Update 9:00am NSS Weekly Update; TPSGC CONF Ott-270Albert-7... 11:30am OOSV Core Team Meeting; DFO CONF Ottawa-2...	15 12:00pm FW: OOSV Weight and Stability Weekly Sub-IPT Meeting; RM-SS-VSY-OC-Meeting Room #5; Ben White	16 11:30am Weekly VSY Teleconference (OOSV); DFO CONF Ottawa-200ElginSt-3-10-MCP2 CONF MPO; DFO CONF Otta...	17 10:30am OOSV Internal Project Team meeting ; DFO CONF Ottawa-200ElginSt-3-10-MCP2 CONF MPO; Egener, Peter	18 2:30pm FW: OOSV Weekly update with DG**at ELGIN**; 200 Elgin - Main Boardroom; Wight, Robert
21 9:00am NSS Update 9:00am NSS Weekly Update; T... 11:30am OOSV Core Team M...	22 12:00pm FW: OOSV Weight and Stability Weekly Sub-IPT Meeting; RM-SS-VSY-OC-Meeting Room #5; Ben White	23 11:30am Weekly VSY Teleconference (OOSV); DFO CONF Ottawa-200ElginSt-3-10-MCP2 CONF MPO; DFO CONF Ottawa-200ElginSt-3-10-MCP3 CONF MPO; OOSV / NHSO (D...	24 10:30am OOSV Internal Project Team meeting ; DFO CONF Ottawa-200ElginSt-3-10-MCP2 CONF MPO; Egener, Peter	25 Nat off 2:30pm FW: OOSV Weekly update with DG**at ELGIN**; 200 Elgin - Main Boardroom; Wight, Robert
28 9:00am NSS Update 9:00am NSS Weekly Update; TPSGC CONF Ott-270Albert-7-719 CONF P... 11:30am OOSV Core Team Meeting; DFO CONF Ottawa-2...	29 12:00pm FW: OOSV Weight and Stability Weekly Sub-IPT Meeting; RM-SS-VSY-OC-Meeting Room #5; Ben White	30 8:30am Project Updates for Bi-Weekly Strategy and Shipbuilding Briefings (OOSV)... 11:30am Weekly VSY Teleconference (OOSV); DFO CONF Ottawa-200ElginSt-3-1...	**Dec 1** 10:30am OOSV Internal Project Team meeting ; DFO CONF Ottawa-200ElginSt-3-10-MCP... 1:30pm Canceled: Science Vessels DFR Forecast Review; TBD; Mullaly, Kathleen	2 2:30pm FW: OOSV Weekly update with DG**at ELGIN**; 200 Elgin - Main Boardroom; Wight, Robert

CONNECTED

EKME#3619027

s.20(1)(c) s.21(1)(b)
s.21(1)(a) s.21(1)(c)

Summary of CCG Key Risks

Week of December 5, 2016

Major Projects Update
Canadian Coast Guard Fleet Renewal

Offshore Fisheries Science Vessel (OFSV) - $687M

Current Issues / Risks:

-

Upcoming:

-

Offshore Oceanographic Science Vessel (OOSV) -

s.69(1)(g) re: (a)

Current Status:

- Shipyard proposal to complete Basic Design Development has been received and is currently being reviewed by Canada. It is expected that the construction engineering contract option to commence BDD work will be exercised in December 2016

Helicopters -

s.69(1)(g) re: (a)

Current Status:

- Acceptance of the first two medium-lift helicopters was completed on December 2, 2016. A Ministerial event marking the acceptance of these two aircraft occurred on December 7, 2016.

Upcoming:

- The next two medium-lift helicopters are expected to be accepted during the week of December 12, 2016.

Search and Rescue (SAR) Lifeboats -

s.69(1)(g) re: (a)

Current Status:

- Canada is exploring options for procuring additional SAR Lifeboats, as approved under the *Oceans Protection Plan.*

Upcoming:

-

Channel Survey and Sounding Vessel (CSSV) -

s.69(1)(g) re: (a)

Upcoming:

- MP Kate Young (London West) will announce the contract award on behalf of Minister Foote (PSPC). Event is tentatively scheduled for December 8, 2016.
- Public notice on PSPC website expected in December 2016.

Calendar (Four Month Outlook)

PROJECT	UPCOMING EVENT	ESTIMATED TIMEFRAME
OFSV		
	VSY Production Readiness Review for OFSV3	December 15, 2016
	Start of construction on OFSV #3	TBD following VSY Production Readiness Review
OOSV	Contract for BDD phase of CE to be signed	December 2016
Helicopters	Delivery of third and fourth medium-lift helicopters	December 16, 2016
	Delivery of fifth and sixth medium-lift helicopter	February 17, 2017
	Full Flight Simulator Critical Design Review	February 24, 2017
	Delivery of seventh medium-lift helicopter	March 10, 2017
SAR Lifeboats	Complete vessel Basic Design Phase	December 2016
CSSV	Ministerial even at shipyard (MP Kate Young)	December 8, 2016 (tentative)
NSS / Governance	Release of the NSS Annual Report to Parliament	December, 2016
	DMGC meeting with the Shipyards	January 2017

Government of Canada / Gouvernement du Canada
Fisheries and Oceans / Pêches et Océans

GCCMS # 2017-012-00024

To: Catherine Blewett

Date: January 11, 2017

Object: **SCENARIO NOTE – SPECIAL DEPUTY MINISTERS GOVERNANCE COMMITTEE PREP MEETING WITH ASSOCIATE DEPUTY MINISTER, DEFENCE PROCUREMENT STRATEGY SECRETARIAT – JANUARY 12, 2017**

From: Jeffrey Hutchinson, Deputy Commissioner, Strategy and Shipbuilding JAN 12 2017

Via: Jody Thomas, Commissioner, Canadian Coast Guard JAN 12 2017

Additional Approvals:

Rosangela Guerra, Director, Business Support
Robert Wight, Director General, Major Projects

[ ]	Your Signature	X	Information
[ ]	For Comments	[ ]	Material for the Minister

Remarks:

Please find attached the scenario note for the preparatory meeting in advance of the special Deputy Ministers Governance Committee meeting with Vancouver Shipyards with Gavin Liddy, Associate Deputy Minister of the Defence Procurement Strategy Secretariat (DPSS) at Public Services and Procurement Canada (PSPC). The meeting will be held on ~~Thursday~~, Tuesday January ~~12~~ 17, 2017~~, at 3:00 p.m~~. The Deputy Commissioner, Strategy and Shipbuilding, will be joining you for the meeting. from 8:30 – 3:00pm

Does not engage the Screen re. JD Irving. (Jan 13/17)

Attachment (1):

1) Scenario Note – Special Deputy Ministers Governance Committee Prep Meeting with Associate Deputy Minister, Defence Procurement Strategy Secretariat

Drafting Officer: CHRISSY SUDJANA (998-1578) RG / RW

Fisheries and Oceans Canada   Pêches et Océans Canada

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)
s.21(1)(c)

Approved by ADM

Docket #: 2017-012-00024
Security Classification: PROTECTED B

SCENARIO NOTE

SPECIAL DEPUTY MINISTERS GOVERNANCE COMMITTEE PREP MEETING WITH ASSOCIATE DEPUTY MINISTER, DEFENCE PROCUREMENT STRATEGY SECRETARIAT – JANUARY 12, 2017

Overview

You will be meeting with the core members of the Deputy Ministers Governance Committee. Also attending this meeting will be Marie Lemay, Deputy Minister of Public Services and Procurement Canada (PSPC), John Forster, Deputy Minister, Department of National Defence (DND); John Knubley, Deputy Minister, Innovation, Science and Economic Development Canada; and Steven Brunton, independent expert advisor on the National Shipbuilding Strategy (NSS). The meeting will be held on Thursday, January 12, 2017, at 3:00 p.m. The Deputy Minister of Fisheries and Oceans Canada and the Deputy Commissioner will be joining you for the meeting.

This meeting is in preparation for the upcoming semi-annual meeting with Vancouver Shipyards (VSY) and Irving Shipbuilding Inc. (ISI) on January 17, 2017.

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)
s.21(1)(c)

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)
s.21(1)(c)

s.69(1)(g) re: (c)

s.69(1)(g) re: (a)

Sudjana, Chrissy

From:	Wight, Robert
Sent:	January-11-17 4:52 PM
To:	Sudjana, Chrissy
Subject:	FW:
Attachments:	

This should go with it please.

Robb

From: Hutchinson, Jeffery
Sent: Wednesday, January 11, 2017 3:18 PM
To: Wight, Robert <Robert.Wight@dfo-mpo.gc.ca>; Thomas, Jody <Jody.Thomas@dfo-mpo.gc.ca>
Subject: FW:

fyi

From: Brian Carter [mailto:
Sent: Wednesday, January 11, 2017 09:35
To: Lisa Campbell <Lisa.Campbell@tpsgc-pwgsc.gc.ca>; PATRICK.FINN@forces.gc.ca; Hutchinson, Jeffery <Jeffery.Hutchinson@dfo-mpo.gc.ca>
Subject:

Happy to discuss if you like.

s.19(1)
s.20(1)(b)
s.20(1)(c)

Thanks,
Brian

Brian Carter | President | Seaspan Shipyards | 50 Pemberton Ave, North Vancouver, BC V7P 2R2 | Office: 604-990-1846 | www.seaspan.com

seaspan

Pages 89 to / à 92

are withheld pursuant to sections

sont retenues en vertu des articles

20(1)(b), 20(1)(c)

of the Access to Information Act

de la Loi sur l'accès à l'information

Government of Canada | Gouvernement du Canada
Fisheries and Oceans | Pêches et Océans

GCCMS # 2017-009-00019

To: Catherine Blewett | Date: January 13, 2017

Object: **SCENARIO NOTE – DEPUTY MINISTERS GOVERNANCE COMMITTEE MEETINGS WITH VANCOUVER SHIPYARDS AND IRVING SHIPBUILDING INC. – JANUARY 17, 2017**

From: Jeffrey Hutchinson, Deputy Commissioner, Strategy and Shipbuilding JAN 1 6 2017

Via: Jody Thomas, Commissioner, Canadian Coast Guard JAN 1 6 2017

Additional Approvals:

Rosangela Guerra, Director, Business Support
Robert Wight, Director General, Major Projects

	Your Signature	X	Information
	For Comments		Material for the Minister

Remarks:

The Department has assessed this issue in full.

☐ It contains no reference to matters covered by the screen relating to J.D. Irving Limited.

☐ It contains matters referenced in the screen relating to J.D. Irving Limited, but in our view does not engage the screen.

☒ In our view, the screen relating to J.D. Irving Limited should be engaged with respect to documents relating to Irving Shipbuilding Inc. The screen does not need to be engaged for documents related to Vancouver Shipyards.

Please find attached the scenario note for the Deputy Ministers Governance Committee meeting with Vancouver Shipyards and Irving Shipbuilding Inc. The meeting will be held on January 17, 2017. The meeting with Vancouver Shipyards will take place from 8:30am to 11:30am and the meeting with Irving Shipbuilding Inc. will take place from 12:00pm to 3:00pm. Both meetings will be held at Place du Portage, Phase 3, Tower A, 17A1 (Michael G. Nurse boardroom).

Attachment (1):

1) Binder for the Deputy Ministers Governance Committee Meetings with Vancouver Shipyards and Irving Shipbuilding Inc. – January 17, 2017

Drafting Officer: CHRISSY SUDJANA (998-1578) RG / RW

Fisheries and Oceans Canada | Pêches et Océans Canada

Canadian Coast Guard | Garde côtière canadienne

Commissioner | Commissaire

PROTECTED B
2017-009-00019

MEMORANDUM FOR THE DEPUTY MINISTER

SCENARIO NOTE FOR THE DEPUTY MINISTER – SHIPYARD MEETING (JANUARY 17, 2017)

For Information

SUMMARY

The Deputy Minister Governance Committee for the Defence Procurement Strategy (DPS) and the National Shipbuilding Strategy (NSS) will hold meetings with NSS shipyard executives on January 17, 2017, at Place Du Portage, Phase 3, Tower A, in the Michael G. Nurse boardroom (17A1).

The meeting with Vancouver Shipyards Co. Ltd. will be held from 8:30 A.M. until 11:30 A.M., and the meeting with Irving Shipbuilding Inc. will be held from 12:00 P.M. until 3 P.M.

The following items are attached:
- Tab A - Scenario Note
- Tab B - Backgrounders
- Tab C - VSY agenda and related materials
- Tab D - ISI agenda and related materials

Jeffery Hutchinson, Deputy Commissioner, Strategy and Shipbuilding, and I are available to attend these meetings with you.

Jody Thomas
Jody Thomas
Commissioner

2017-009-00019 – Scenario Note for the Deputy Minister – Annual Shipyard Meeting
Chrissy Sudjana, 998-1578, Policy Advisor / RG /RW / cs

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Fisheries and Oceans Canada | Pêches et Océans Canada

Approved by ADM

Docket #: 2017-009-00019
Security Classification: PROTECTED B

SCENARIO NOTE

DEPUTY MINISTERS GOVERNANCE COMMITTEE MEETINGS WITH VANCOUVER SHIPYARDS AND IRVING SHIPBUILDING INC. – JANUARY 17, 2017

Overview

This scenario note is provided for the semi-annual meetings of the Deputy Ministers Governance Committee (DMGC) with Vancouver Shipyards (VSY) and Irving Shipbuilding Inc. (ISI). The meeting will be held on January 17, 2017, at Place du Portage, Phase 3, Tower A, 17A1 (Michael G. Nurse boardroom).

The outline for the meetings is as follows:

8:30-11:30 A.M.	Meeting with Vancouver Shipyards Co. Ltd.
12:00-3:00 P.M.	Meeting with Irving Shipbuilding Inc.

Participants for the meeting with Vancouver Shipyards Co. Ltd. are:

- Johnathan Whitworth, Chief Executive Officer, Seaspan ULC;
- Brian Carter, President, Seaspan Shipyards;
- Graeme Thomson, Vice President, Program Management; and
- Tim Page, Vice President, Government Relations.

It is possible that a Seaspan board member, Larry Simkins, will also attend.

Participants for the meeting with Irving Shipbuilding Inc. are:

- James D. Irving, Co-Chief Executive Officer, J.D. Irving Ltd.;
- Ross Langley, Executive Vice President, J.D. Irving Ltd. and Vice Chairman, Irving Shipbuilding Inc.;
- Kevin McCoy, President, Irving Shipbuilding Inc.;
- Scott Jamieson, Vice President, Programs, Irving Shipbuilding Inc.; and
- Chris MacDonald, Vice President, Government Relations and Industrial Benefit Programs, J.D. Irving Ltd.

Agendas are provided in Tabs C and D. The agenda includes an in-camera session that would include the Seaspan, Fisheries and Oceans Canada (DFO) and Public Services and Procurement Canada (PSPC) representatives.

These annual meetings are an opportunity for shipyard executives to provide information on their progress with shipbuilding projects, as well as contributions to industry-wide economic benefits. It is also an opportunity to discuss issues that may impact the success of the NSS.

Details and key messages are provided for issues that may be raised at the meetings.

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PART A: MEETING WITH VANCOUVER SHIPYARDS

Seaspan will be presenting, aided by a deck that has been prepared and delivered to Canada in advance of the meeting. It is the stated desire of Brian Carter, who will be delivering the bulk of the presentation, to make it more of a discussion rather than a one way presentation.

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Slides 8

The slide details the current state of work on the remaining projects. The Polar project is only doing minor work at this point –

The classes to be built beyond the Polar are starting work.

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Backgrounder
Deputy Ministers' Governance Committee (DMGC) 6th Meeting
with Vancouver Shipyards Co. Ltd. (VSY)
January 17, 2017

BACKGROUND

Canada's National Shipbuilding Strategy (NSS) is a long-term plan to renew fleets of the Royal Canadian Navy (RCN) and the Canadian Coast Guard (CCG). Under this strategy, the Government of Canada is building the RCN large combat vessels at Irving Shipbuilding Inc. in Halifax, Nova Scotia, and the CCG non-combat vessels at Vancouver Shipyards Company Ltd (VSY) in Vancouver, British Columbia. These shipyards were selected following an open and fair competitive process.

In October 2011, Canada announced VSY as the builder for its non-combat ships. The strategic relationship between the Government of Canada and VSY was established with the signing of the Umbrella Agreement in February 2012. The Umbrella Agreement is a long-term strategic sourcing arrangement that defines the working relationship and administrative arrangements under which the government will negotiate fair and reasonable individual contracts.

As part of the Umbrella Agreement, the Government committed to backstop the shipyard's infrastructure upgrade investments in the event that it cancels, delays or significantly reduces the scope of its work package. In May 2013, the Government agreed to backstop Vancouver Shipyards. In April 2014, the Government agreed to increase the backstop to a cost not to exceed [redacted] (amount considered company confidential). The Umbrella Agreement also contains an extinguishing formula, whereby the Government's liability is reduced as contracts are awarded to VSY.

In November 2014, VSY completed its infrastructure upgrades estimated at $170 million with no cost to the Government. The infrastructure improvements were needed to ensure VSY achieves a "Target State", which is the starting point for the shipyards to eventually achieve a level of productivity sufficient to be competitive internationally and to maintain this level by focusing on continuous improvements, and is assessed by First Marine International (FMI), the Government's third-party expert.

FMI conducted the Interim Assessment in June 2015. The positive results of the Interim Assessment demonstrate that VSY is well on its way to achieving Target State. The final Target State assessment is to be completed after delivery of the first Offshore Fisheries Science Vessel.

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The seven ships currently identified in the Umbrella Agreement to be built at VSY include: three Offshore Fisheries Science Vessels, one Offshore Oceanographic Science Vessel; two Joint Support Ships; and one Polar Icebreaker.

The current budget for the non-combat package is estimated at $7.3 billion.

The Government and VSY have established an effective and productive relationship, both at the working and leadership levels. Senior leadership is also well engaged and a multi-level governance structure has been put in place, including the following committees:

- Executive Governance Committee – monthly meetings co-chaired by the Assistant Deputy Minister, Marine and Defence Procurement Branch (PSPC) and the President of VSY. Assistant Deputy Minister level membership also includes DND, Innovation, Science and Economic Development Canada (ISEDC), as well as the Deputy Commissioner of Strategy and Shipbuilding of the CCG.
- Portfolio Management Committee – monthly meetings co-chaired by the Director General of the Large Ship Construction Sector (PSPC) within the Marine and Defence Procurement Branch (PSPC) and the Vice-Presidents of VSY. Director General level membership also includes DND, ISEDC and the CCG.
- NSS projects are also reviewed monthly at the Defence Procurement Strategy Assistant Deputy Ministers' Committee and Deputy Ministers' Governance Committee, which are chaired by PSPC and include DND, DFO/CCG and ISEDC, among others. Central agencies are *ex-officio* members of both committees.

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Despite considerable achievements in the past three years, VSY has experienced some growing pains. Many efforts have been undertaken to address some of these challenges including:

- The development of a new Governance Charter which supports a more programmatic approach focused on timely decision-making, which will strengthen the relationship between Government and VSY;
- The Horizontal Engineering and Program Plan (HEPP) contract enabling VSY to pursue critical horizontal/program level initiatives, such as engineering standards, program management, and supply chain management;
- The program standardization initiative, which was implemented to reduce cost and improve efficiencies across the program in areas including invoicing, contract terms and conditions, scheduling, and risk and insurance frameworks.
- VSY's continued investment in innovative NSS Value Proposition activities that are targeting partnerships with universities, colleges, Indigenous Peoples and women; and,

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- Other strategies are also being explored to improve efficiencies and leverage the benefit of this strategic sourcing relationship.

NON-COMBAT PROGRAM UPDATES

Non-Combat Program Overview

Non-Combat Vessel Package with Vancouver Shipyards				
Ship Class	**Budget**	**Awarded to date (as of October 2016)**	**Number of vessels**	**Cut Steel Dates**
Offshore Fisheries Science Vessels	$0.687B	$0.585B	3	2015
Offshore Oceanographic Science Vessel	$0.144B	$0.021B	1	2017 (TBC)
Joint Support Ships (DND)	$2.3B	$0.194B	2	2018 (TBC)
Polar Icebreaker	$1.3B	$0.017B	1	TBD
Offshore Patrol Vessels*		$0.0B	Up to 5	TBD
Medium Endurance Multi-Tasked Vessels*		$0.0B	Up to 5	TBD
Total value of Non-Combat vessel package	**$7.3B**	$0.817B	17	

*The Offshore Patrol Vessels and Medium Endurance Multi-Tasked Vessels are not yet included in the Umbrella Agreement with VSY.

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Non-Combat Program Risks

Construction Gap between the Offshore Fisheries Science Vessels and Offshore Oceanographic Science Vessel

The Government and VSY's shared objective has been and continues to be to start construction of the Offshore Oceanographic Science Vessel (OOSV) as early as possible following the build of Offshore Fisheries Science Vessels (OFSV).

Modern shipbuilding is done in a production line environment with ships at increasing states of completion as they move from station to station through the shipbuilding facility. Maintaining and improving productivity efficiency is possible only when there is a continuous flow of production through these stations. Any break, or gap, in the production flow will lead to inefficiencies and significant gaps may result in workforce layoffs. Canada has referred to such significant production gaps as "Boom-Bust" where

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experience and expertise is lost at the end of each ship class build to be re-developed on commencement of the following build cycle. A continuous build strategy can, if enacted at the correct production pace, prevent a boom-bust scenario, although there will always be some degree of fluctuation in employee numbers due to the changing mix of skills required at each build stage.

In June 2016, for example, the Dennis and Phyllis Washington Foundation, in conjunction with Seaspan, announced a $2.9 million investment in local education, which included a $900,000 donation to institutional trades programs at the British Columbia Institute of Technology (BCIT), Camosun College, and the Canadian Welding Association foundation.

<u>Economic Benefits</u>

The NSS Value Proposition obligates VSY to invest a value equal to 0.5% of strategy contracts to benefit the domestic marine industry over the long term.

The investments will contribute to three priority areas: human resources development, technology investment and industrial development. These investments are helping to strengthen and grow Canada's greater marine industry.

ATTACHMENTS:

- Annex A – Non-Combat program – project updates
- Annex B – Potential marine requirements identified by CCG
- Annex C – Biographies of representatives from VSY
- Annex D – Meeting Minutes from 2016 Annual Shipyard Meeting (held June 29, 2016)

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Annex A:
Non-Combat Program - Project Updates

Offshore Fisheries Science Vessels (OFSV)

The replacement of the aging CCG's Offshore Fisheries Science Vessels (OFSV) is the first project in the non-combat work package and will enable Government to continue critical scientific research. The build contract was signed with VSY in June 2015 and the current project budget is $687 million, including costs for ship design and construction, project management, spare parts, training and other costs to put the vessels into operation..

Construction on the first OFSV began in June 2015 and construction of the second vessel began on March 2016. Construction of the third vessel is expected to begin early this year with the delivery of all ships expected in late 2017/2018.

A third-party expert, SPAR Associates, has been monitoring the progress of OFSV.

Offshore Oceanographic Science Vessel (OOSV)

The Offshore Oceanographic Science Vessel (OOSV) will replace the CCGS *Hudson* to fulfill the CCG's science mandate. It is scheduled to be built after the three Offshore Fisheries Science Vessels. The design contract was completed in 2011 by STX Canada Marine (now VARD Marine). A Construction Engineering Contract was signed with VSY in November 2015 to perform the engineering work to convert the design created into production drawings in preparation for the build contract expected to be awarded in 2018. A Long-Lead Items and Materials contract was also awarded in February 2016 to procure items and materials and enable timely delivery of materiel requiring long lead purchase commitments.

The budget for the OOSV was originally established in 2007, prior to the announcement of NSS. Refreshed in 2009, the current budget of $144.4 million is now insufficient and under review.

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Joint Support Ships (JSS)

At a budget of $2.3 billion, the Joint Support Ships (JSS) project will deliver two Auxiliary Oil Replenishment Vessels to support naval task groups. The Joint Support Ship will be built after the OFSVs and the OOSV.

Work is nearly completed under the Initial Design Review Contract, awarded in July 2014, to adjust the selected design to incorporate the changes required to build these ships at VSY using a Canadian supply chain where possible and appropriate, and with the modifications required to meet the Canadian operational requirements. The Long-Lead Items contract signed in December 2015 supports the acquisition of equipment information and enable timely delivery of materiel requiring long lead purchase commitments. The Design and Production Engineering contract was awarded to VSY in December 2016 to complete the JSS design, initiated under the Initial Design Review Contract, and generate the required manufacturing information to enable the start of the JSS construction. The current date for construction start in 2018 is under review

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Polar Icebreaker

In the Fall of 2013, the Government of Canada made the decision to sequence the construction of the Polar Icebreaker after the JSS. The project, valued at $1.3 billion, is currently in a period of reduced activity.

Other Ship Classes

In October 2013, the previous government announced that VSY would be the shipyard used to build the Offshore Patrol Vessels and the Medium Endurance Multi-Tasked Vessels for the CCG.

These vessels have not yet been added to the Umbrella Agreement.

Horizontal Engineering and Program Plan

The contract for the Horizontal Engineering and Program Plan (HEPP) enables VSY to invest in horizontal/program level initiatives (i.e. engineering standards, program management, and supply chain management) instead of taking a project by project

approach. This contract has proven successful in addressing horizontal issues across all projects that would have otherwise been the burden of the lead project.

The HEPP contract covers a period of 5 years (2014-2015 to 2018-2019), with work performed on an "as and when requested basis" through a Task Authorization process.

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Annex B:
Potential Marine Requirements Identified by CCG

Canadian Coast Guard Request for Information

On November 17, 2016 a Request for Information (RFI) was issued on *BuyandSell* by PSPC on behalf of the CCG. The purpose of the RFI is to seek input from the marine industry on options for filling potential interim gaps in the delivery of medium-sized icebreaking and towing services. Industry responses to the RFI will inform CCG decisions on how best to fill potential gaps in icebreaking services over the next several years.

The Industry day took place on December 8, 2016 and one-on-one meetings with industry are expected in January. The final industry responses to the RFI must be submitted to PSPC on or before February 27, 2017. An analysis of the responses will follow to determine next steps.

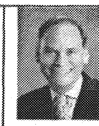
Annex C:
Biographies of Representatives from VSY

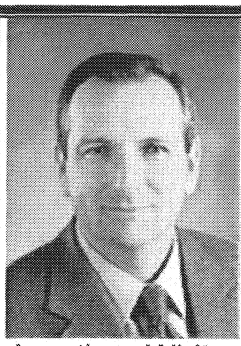
seaspan


Jonathan Whitworth


Brian Carter


Graeme Thompson


Tim Page



Jonathan Whitworth
Chief Executive Officer
Seaspan ULC

Jonathan Whitworth joined Seaspan in 2009 as Chief Executive Officer, bringing over 20 years of seagoing, shore side, strategic planning, management, and leadership experience to the organization.

After graduating from the Texas Maritime Academy, Jonathan sailed for six years as an officer aboard tankers and chemical carriers in the international market. He also still holds an unlimited chief mate's license, and a 1600- ton captain's license.

After completing his MBA at the University of North Texas, Jonathan came ashore and held a number of management positions at ExxonMobil and Teekay Shipping. He later became CEO of Maritrans Inc., the largest publicly held tug/barge and tanker operator in the US Jones Act trade. Maritrans was sold to Overseas Shipholding Group of New York, in 2006, and Jonathan was retained as President to continue the strategic plan created at Maritrans.

As CEO of Seaspan, Jonathan is primarily responsible for carrying out the strategic plans and policies as established by the Board of Directors. This includes developing and implementing high-level strategies, making major corporate decisions, managing the overall operations and resources of the company, and acting as the main point of communication between the board of directors and corporate operations.



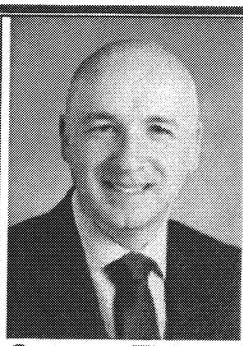
Brian Carter
President
Seaspan Shipyards

Brian joined Seaspan Marine Corporation (SMC) as President – Seaspan Shipyards in January 2012, bringing 18 years of leadership experience in vessel design and construction. During a near 10-year tenure at General Dynamics NASSCO, one of the largest military and commercial new construction shipyards in North America, he developed more than $1B of new construction business and key technology transfer relationships with leading international shipbuilding companies. Following NASSCO and prior to joining Seaspan, Brian founded Brizo Maritime, a company that assists maritime companies with strategic development initiatives.

Brian holds a Masters of Business Administration, a Bachelor of Science in Mechanical Engineering, and a Naval Architecture and Marine Engineering degree. He also has a professional certification as an Engineer (PE), Naval Architecture and Marine Engineering.

With primary accountability for all SMC Shipyards (Vancouver Drydock, Vancouver Shipyards and Victoria Shipyards), Brian is responsible for delivering on the long-term strategic plan for the shipyard group along with the development and implementation of shipyard specific policies and

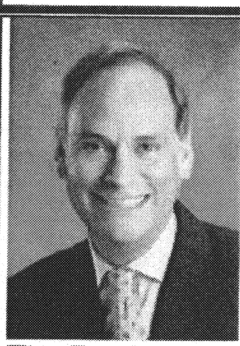
management practices.



Graeme Thomson
Vice President
Program
Management

Graeme joined Seaspan Shipyards as the Vice President, Program Management in June 2012. In this role, Graeme's primary accountability is for the delivery of new vessel construction in accordance with schedules, budgets and quality standards and in alignment with Seaspan Marine Corporation's Core Values. During his 13 years with BAE Systems in the UK, most recently as Program Director, he has been responsible for leading the design and construction of, advanced destroyers, frigates and assault ships for the British Royal Navy as well as complex offshore patrol vessels for overseas customers.

Graeme began his career before obtaining his Bachelor degree in Electrical Engineering from the and his Master of Business Administration School.



Tim Page

Vice President

Government
Relations

Tim joined Seaspan Shipyards as Vice President, Government Relations in August 2014 bringing with him over 30 years experience in positions of leadership and senior management across diverse sectors of the Canadian economy. Most recently, Tim worked as President and CEO of the Canadian Association of Defence and Security Industries (CADSI). Over the nine plus years he spent at CADSI, he grew the membership of the organization by over 250 percent, and the Association's annual revenue by 500 percent. Today, CADSI is highly respected and recognized by the federal government as the voice of Canada's defence and security industries; and has earned the credibility of its diverse national membership on defence procurement issues.

A graduate from Carleton University's Master of Arts program, Tim also holds a BA (Hons.) in History and Politics from Queen's University in Kingston, Ontario.

In the role of Vice President, Government Relations Tim provides leadership to Seaspan Shipyards, acting as the primary representative with Government agencies and non-Government Organizations (NGO's). He also develops long-term Government shipbuilding and repair opportunities, and is responsible for building and maintaining relationships with federal, provincial and local authorities, regulatory agencies and key policy makers.

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Annex D:
Summary of Discussion from 2016 Shipyard Meeting (held June 29, 2016)

1. Opening Remarks

- The Chair began the meeting by noting that this was the fifth meeting with the shipyards since the National Shipbuilding Strategy (NSS) was implemented. This year's meeting is particularly significant as shipyard began building ships.

- The Chair noted several key accomplishments: The yard has been modernized and the first in class of the Offshore Fisheries Science Vessel (OFSV) project is being built. There have been growing pains, but now is the time to regroup, adjust and plan a best way forward.

-

2. Presentation by Vancouver Shipyards

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3. Roundtable and Closing Remarks

- The Chair thanked everyone for coming and noted the utility of these meetings. It was proposed that these meetings occur more frequently going forward.

Follow-up Items:

- Explore increasing the frequency of meetings with both shipyards.

Attendance – June 29, 2016

Regular Members
Public Services and Procurement Canada
Ms. Marie Lemay (Chair) Deputy Minister
National Defence
Mr. John Forster Deputy Minister
Innovation, Science and Economic Development
Mr. John Knubley Associate Deputy Minister
Fisheries and Oceans
Ms. Jody Thomas, *for Ms. Catherine Blewitt* Commissioner, Canadian Coast Guard
Global Affairs Canada
No representative present
***Ex Officio* Members**
Mr. Iain Stewart Associate Secretary, Treasury Board Secretariat
Ms. Ailish Campbell *for Ms. Marta Morgan* General Director, Economic Development and Corporate Finance, Finance Canada,
Mr. Les Linklater Deputy Secretary (Economic and Regional Development Policy), Privy Council Office

VSY
Mr. Larry Simkins, President and CEO of Washington Corporation
Mr. Jonathan Whitworth, Chief Executive Officer, Seaspan ULC
Mr. Brian Carter, President, Vancouver Shipyards Co. Ltd.
Mr. Graeme Thompson, Vice President Program Management

National Defence:
Mr. John Turner, Associate Deputy Minister
Mr. Pat Finn, Assistant Deputy Minister (Materiel)
V.Adm. Ron Lloyd
Cmdr. Casper Donovan
Capt. (N). Brian Costello, Naval Major Crown Projects / Royal Canadian Navy
Mr. Ian Mack, Director General, Major Crown Projects (Sea)

Innovation, Science and Economic Development
Ms. Kelly Gillis, Associate Deputy Minister
Mr. Paul Halucha, A/Assistant Deputy Minister

Privy Council Office
Ms. Siobhan Hardy, Director of Operations, Economic and Regional Development Policy

Treasury Board Secretariat
Ms. Nancy Chahwan, Assistant Secretary, Government Operations Sector

Finance Canada
Edward Malota, Chief Economist, Economic Development and Corporate Finance

Fisheries and Oceans
Mr. Jeffrey Hutchinson, Deputy Commissioner
Mr. Mario Pelletier, Deputy Commissioner, Operations
Mr. Derek Buxton, Project Manager (Polar Icebreaker)

Indigenous and Northern Affairs Canada
Mr. John de Francesco, Director General
Mr. Brad Cline, Director

Public Services and Procurement Canada
Mr. Gavin Liddy, Associate Deputy Minister
Ms. Lisa Campbell, Assistant Deputy Minister
Ms. Ginger Taylor, Strategic Advisor (Deputy Minister's Office)
Mr. Scott Leslie, Director General (Large Combat Ship Construction Sector)
Mr. Sylvain Cardinal, Senior Director
Mr. Christopher Boyle, Acting Director General (Large Ship Construction Sector)
Mr. Pierre Berthiaume, A/Senior Director (Marine Sector)
Mr. Robert Jordan, Policy analyst, (Marine Sector)
Mr. Charles McColgan, Executive Director (Defence Procurement Strategy Secretariat)
Mr. John Gorrie, Director (Defence Procurement Strategy Secretariat)
Ms. Deborah Donnelly, Director (Defence Procurement Strategy Secretariat)
Ms. Catherine Milot, Policy Analyst (Defence Procurement Strategy Secretariat)
Note taker: Mr. Richard Day, Policy Analyst (Defence Procurement Strategy Secretariat)

Participating via teleconference: Mr. Steven Brunton, Senior Shipbuilding Advisor

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January 2017

Production Gaps under the National Shipbuilding Strategy

NSS Background

The National Shipbuilding Strategy (NSS) was introduced to change the Canadian federal shipbuilding dynamic and implement a more strategic procurement process that will sustain the Canadian shipbuilding industry by providing long-term, predictable federal shipbuilding work in Canada. To that end, the NSS instituted a new model for undertaking complex naval procurement projects in Canada. The NSS was developed with the intention that Canada and the shipyards would work in a more collaborative and transparent environment with shipbuilding managed at the program level.

The NSS has three broad objectives:

- Canada's shipbuilding projects are completed in a timely, affordable manner;
- A sustainable marine sector able to meet Government of Canada needs; and
- Generating Economic Benefits for Canada.

Realizing these objectives requires a long term, programmatic (rather than purely project centric) view so as to move to a continuous shipbuilding program. This allows development and sustainment of critical infrastructure, workforce skills, capacity and efficiency.

Production Gaps

Modern shipbuilding is done in a production line environment with ships at increasing states of completion as they move from station to station through the shipbuilding facility. Maintaining and improving productivity efficiency, which maximizes value for money, is possible only when the design is complete and there is a continuous flow of production through these stations. Any break, or gap, in the production flow will lead to inefficiencies and significant gaps may result in workforce layoffs.

Managing this risk is a complex challenge involving multiple variables. Gaps are defined primarily by the timing of the completion of precedent work relative to the readiness to start subsequent work. Predicting either state with a degree of accuracy and reliability is a significant challenge. Doing so with sufficient lead time to permit effective mitigating actions is even more difficult. Predicting the likely timing of completing work can be accomplished using standard project management techniques including Earned Value Management which will provide ongoing insight into the progress of the work and the likely schedule to complete. Assessing the readiness to start work is managed in a similar

manner. Key factors in determining readiness to start shipbuilding work is the state of the design, the availability of resources (including competent workers, material and equipment) and the authority to proceed through the awarding of a build contract.

Given the complexity of ship design and ship construction (including supply chain management), continuous workforce employment on a stable production line is very difficult to achieve. In most jurisdictions, some production gaps and shipyard layoffs are an accepted attribute of the business. However, a continuous build programmatic strategy can, if enacted at the correct production pace, prevent a boom-bust scenario though there will always be some degree of fluctuation in employee numbers due to the changing mix of skills required at each build stage.

Potential Impacts of Production Gaps

Avoiding production gaps is a shared interest between Canada and the shipyards. A production gap may result in the following:

- Labour layoffs as work winds down
    - After layoffs and rehires, there would be green labour to start on the next class of ship – loss of learning from the previous class(es)
    - Potential issues in re-recruiting workforce

- An increase in project costs
    - Constant overhead distributed amongst fewer number of labour hours due to loss of project overlaps resulting in higher project costs for both preceding and subsequent ship builds
    - Green labour inefficiencies, start up costs and inflation result in higher project costs for the subsequent ship build

- A loss of credibility
    - Not a 'preferred' place to work
        1. Workers may not come back given the break – looking for stability
        2. May lose the better staff and be left with the weaker ones that have not found other work
    - Not as secure future as previously thought
        1. Loss in confidence for parents and teachers to encourage youth to study and plan a career in shipbuilding/Marine Sector.
    - Shipyards and subcontractors may be reluctant to make investments

- Subcontractors may face the same situation with losing their blue collar staff

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- A knock-on effect throughout Canada's Marine Sector potentially impacting their bottom line or sustainability

- A political impact – Having a gap and losing momentum
  - Media coverage will be negative
  - Future of NSS could be challenged
  - Particularly problematic if it occurs around election time

- Backstop implications on Canada
  - If gap is large enough could result in backstop payments being paid

- Shipyard financing implications
  - Loss of cash flow may impact ability to service its loans
  - For ISI loss of work may affect the NS loan repayment/forgiveness provisions

Considerations for Establishing Mitigation Strategies

There are a number of consideration that will need to be taking into account when examining options for effective mitigation strategies against the risk of a production gap. These considerations will include:

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-
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s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

•

Combat Package

The analysis of each option will need to be informed by the likely size of the forecasted production gap as well as the other principles outlined above, including its cost and feasibility.

Non-Combat Package

A production gap at Vancouver Shipyard is projected between the OFSV and OOSV projects.

Work is being done to assess potential options that can address a gap in shipyard production. These options could include (noting that solution may very well require pursuing more than one option):

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

Defence Procurement Strategy | **Stratégie d'approvisionnement en matière de défense**

DEPUTY MINISTER GOVERNANCE COMMITTEE
Tuesday, January 17, 2017 Vancouver Shipyards
8:30 a.m. – 11:30 a.m.
Place du Portage, Phase 3, Tour A, 17A1
Michael G. Nurse boardroom

s.20(1)(c)
s.21(1)(b)

AGENDA

#	Timing	Agenda item	Purpose	OPI
		Vancouver Shipyards		
1.	8:30 – 10:30 (2 hours)	**Opening Remarks**	Introduction	M. Lemay
2.		**Shipyard Presentation** a. [redacted]	Presentation	J. Withworth
3.		**OFSV / OOSV Production Gap** a. Options and mitigation strategies	Discussion	Introduced by L. Campbell
4.		**Key Program Risks / Issues / Mitigations** a. Capacity Challenges b. Shipyard Performance o Where are we vis-à-vis where we thought we would be c. Risk Management o Process for identifying and reporting on key issues / risks	Discussion	All
5.		**Aligning Communications for NSS** a. Identifying key communications events, and improving communication to Ministers and Canadians	Discussion	All
6.		**Working Together / State of the Relationship**	Discussion	All
7.		**Roundtable / Closing Remarks**	Conclusion	M. Lemay
10:30 – 11:30 (1 hour)		**In camera Session**		

13/01/2017

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Deputy Ministers' Governance Committee

NSS Non-Combat Program

January 17, 2017

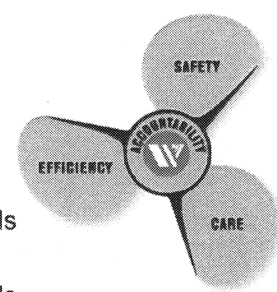
Larry Simkins
Chief Executive Officer, Washington Companies

Jonathan Whitworth
Chief Executive Officer, Seaspan ULC

Brian Carter
President, Seaspan Shipyards

Graeme Thomson
Vice President, Program Management, Seaspan Shipyards

Tim Page
Vice President, Government Relations, Seaspan Shipyards



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20(1)(b), 20(1)(c), 24(1)

of the Access to Information Act

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Fisheries and Oceans Canada
Pêches et Océans Canada

Approved by ADM

Docket #: 2017-009-00134
Security Classification: SECRET

SCENARIO NOTE

DEPUTY MINISTERS GOVERNANCE COMMITTEE MEETING – DEFENCE PROCUREMENT STRATEGY - MARCH 10, 2017

Overview

This scenario note is provided for the Deputy Ministers Governance Committee (DMGC) meeting, and the in-camera session scheduled beforehand, to take place on March 10, 2017.

A – In Camera Meeting – Core Deputy Ministers Discussion

Core DMGC members (not central agencies or Global Affairs Canada) will participate in an in-camera discussion with Mr. Steve Brunton, Independent Expert Advisor on Shipbuilding. This discussion is scheduled for Friday, March 10, 2017, from 8:30 a.m. to 9:15 a.m., at Place du Portage, Phase 3, Tower A, 17A1 (Michael G. Nurse boardroom).

An agenda is included (Tab A).

B – DMGC Meeting

The regular DMGC meeting will be held from 9:15am to 11:15am, in the same location. Meeting materials are provided (Tab B). The agenda for this meeting is as follows:

1. **Opening Remarks and Approval of the Summary of Discussion**
   - Document provided (Tab 1)
2. **Master Schedule**
   - Document provided (Tab 2)
3. **Supplier Engagement Strategy – Future Fighter Capability**
   - For decision
   - Document provided (Tab 3)
4. **Economic Impacts of the Industrial and Technological Benefits Policy**
   - For decision
   - Document provided (Tab 4)
5. **National Shipbuilding Strategy Risk Management Process**
   - For decision
   - Document provided (Tab 5)
6. **DPS Project Status Report**
   - Document provided (Tab 6)

s.21(1)(a)
s.21(1)(b)

7. **Update on Consolidation of Vancouver Shipyards Program Proposal**
   - For information
   - Verbal update
8. (Tab 8)

s.69(1)(g) re: (a)

9. **DPS Governance**
   - For information
   - Document provided (Tab 9)
10. **Roundtable and Closing Remarks**

Details and key messages are provided for issues that may be raised at the meetings.

1. Supplier Engagement Strategy – Future Fighter Capability (Tab 3)

s.21(1)(a)
s.21(1)(b)

Objectives:

-
-

Key Messages:

-
-

2. Economic Impacts of the Industrial and Technological Benefits Policy (Tab 4)

The purpose of this presentation is to provide both an update on the benefits secured under Canada's industrial offset regime for defence procurement (overall and during the past year) as well as an overview of key initiatives and context for future decisions.

Canada formalized its Industrial and Technological Benefits (ITB) policy in 1986, which requires defence contractors to invest in Canada equal to the value of their contract. Investments may be directly related to the procurement or indirectly benefit any sector of the economy. Since this policy was implemented, Canada has seen growth in its economy and various manufacturing and service industries across the country, increasing partnerships with small and medium sized enterprises, and support for innovation.

The ITB policy was updated in 2014. Defence contracts are now awarded based on each bidder's economic commitment to Canada, as described in their Value Proposition, alongside price and technical merit. There has been strong evidence that the Value Proposition is working (more commitments to Research and Development investments, more Canadian equipment and services used to support Canada's military fleets, etc).

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

Key Messages:

- **The ITB Policy, Including Value Proposition, seems to be a powerful tool to benefit small and medium sized enterprises in Canada. The continued expansion of the marine sector should provide strong growth potential for these enterprises across the country.**

3. National Shipbuilding Strategy Risk Management Process (Tab 5)

In fall 2016, the National Shipbuilding Strategy (NSS) Program Management Office began rebuilding the risk management processes that were developed in 2014. This exercise emerged as a result of senior management interest and concern that more consideration of risks should be taken at the Deputy Minister (DM) level.

In December, a new Risk Management Framework was approved at the Director General (DG) level that details a new approach to risk management, including new processes, integration with governance, a matrix detailing the level of responsibility, and risk level considerations. Director Generals also approved the Terms of Reference for a NSS Risk Management Board, which is the second major part of the new approach to risk management.

Risks will be reported to ADMC and DMGC on a quarterly basis, unless a risk needs immediate management actions, in which case the risk will be raised at the next monthly ADMC and/or DMGC meeting. The role for DMs will be to review and challenge program and strategy-level risks and risk management on a quarterly basis, and take risk management actions, champion, and coordinate risk management actions on an as-needed basis.

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Key Messages:

- **I support these initiatives to improve how we respond to and mitigate program risks. This process looks sound and follows the standards for risk management.**

4. DPS Project Status Report (Tab 6)

Executive Summary
The Executive Summary includes details on key issues and risks for the combat and non-combat programs of work. Details and key messages are included for projects at Vancouver Shipyards (VSY):

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

s.69(1)(g) re: (a)

Key Messages

5. Update on Consolidation of Vancouver Shipyards Program Proposal (Tab 7)

This will be a verbal update from PSPC regarding an item that was raised during the meeting with the shipyards in January 2017. During the shipyard meeting, VSY discussed the need to rationalize the amount of work proposals they are working through with Canada. There is currently over a hundred such proposals and work needs to be done to reduce them to a more manageable number. The verbal update will consist of a progress update and a plan forward.

Objective

- Receive an update on how the consolidation of Vancouver Shipyards program proposal is progressing.

Key Messages

- **Work processes must be attacked and leaned at every opportunity. We are trying to build an efficient shipbuilding relationship with the yard.**

- **To note – the Icebreaker RFI feedback quoted us designed, built and delivered vessels in 2-3 years…**

6. (Tab 8)

s.69(1)(g) re: (a)

Defence Procurement Strategy | **Stratégie d'approvisionnement en matière de défense**

SECRET

PLEASE NOTE NO ELECTRONIC DEVICES ARE PERMITTED - LOCKERS ARE AVAILABLE OUTSIDE THE MEETING ROOM

DEPUTY MINISTER GOVERNANCE COMMITTEE
Friday, March 10, 2017

In Camera Session: (Core DM's – PSPC, DND, ISED, DFO/CCG) 8:30 AM – 9:15 AM
Regular Meeting: 9:15 AM – 11:15 AM
Place du Portage, Phase 3, Tower A, 17A1
Michael G. Nurse Boardroom

AGENDA

#	Timing	Agenda item / *Supporting documents in italics*	Purpose	OPI
1	9:15 - 9:20 (5 min)	**Opening Remarks and Approval of Summary of Discussion** • *Summary of Discussion – February 10, 2017*	Decision	Sponsor DM(s): **M. Lemay**
2	9:20 – 9:30 (10 min)	**Master Schedule** • *Change Register (2-pager document)* • *Master Schedule*	Oversight	Sponsor DM(s): **M. Lemay** Presenter(s): **C. McColgan**
3	9:30 – 9:45 (15 min)	**Future Fighter Capability Project (FFCP) - Supplier Engagement Strategy** • *Presentation*	Decision	Sponsor DM(s): **M. Lemay** Presenter(s): **L. Campbell** **P. Folkes-Dallaire** **A. Hamel**
4	9:45 – 10:05 (20 min)	**Economic Impacts of Industrial and Technological Benefits Policy** • *Presentation*	Endorsement	Sponsor DM(s): **J. Knubley** Presenter(s): **K. Gillis**
5	10:05 – 10:20 (15 min)	**NSS Risk Management Process** • *Presentation* • *Terms of Reference* • *Framework* • *Heat Map*	Decision	Sponsor DM(s): **M. Lemay** Presenter(s): **L. Campbell**
6	10:20 – 10:35 (15 min)	**DPS Project Status Report** • *Executive Summary* • *Quad Charts*	Oversight	Sponsor DM(s): **M. Lemay** Presenter(s): **L. Campbell** **A. Fillion** **J. Hutchinson**
7	10:35 – 10:45 (10 min)	**Update on Consolidation of VSY Program Proposals** • *Verbal Update* **s.69(1)(g) re: (a)**	Information	Sponsor DM(s): **M. Lemay** Presenter(s): **L. Campbell**
8	10:45 – 11:05 (20 min)			Sponsor DM(s): **J. Hutchinson** Presenter(s): **R. Wight**
9	11:05 – 11:10 (5 min)	**DPS Governance** • *DMGC Open Action Items*	Discussion	Sponsor DM(s): **M. Lemay** Presenter(s): **C. McColgan**
10	11:10 – 11:15 (5 min)	**Roundtable and Closing Remarks**	Discussion	Sponsor DM(s): **M. Lemay**

Document Control
Recipient #27
Package: 96
Date of Delivery: MAR 0 8 2017

March 8, 2017

Document Control
Recipient #27
Package: 96
Date of Delivery: MAR 0 7 2017

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s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Defence Procurement Strategy (DPS) Deputy Minister Governance Committee (DMGC) Summary of Discussion, Meeting of 10 February 2017

Key Points to Note

- Gap Analysis: Discussed options to address the OFSV-OOSV production gap and agreed to hold a special DMGC [redacted] s.69(1)(g) re: (a)
- PWC Report: Comments will be provided to ISI on the PWC Report. Interdepartmental communications plan will be developed in advance of its public release.
- Master Schedule: Departments must exercise diligence to assure timelines of items included are realistic and actionable [redacted] s.69(1)(g) re: (a)

1. Opening Remarks and Approval of Summary of Discussion

- After welcoming everyone to the meeting, the Chair asked whether members had any issues with the summaries of discussion from the 13 Dec 2017 and 17 Jan 2017 DMGC meetings.
- DND made reference to the action items from the 17 Jan 2017 meeting with the shipyards reminding members that these should be captured on the agendas for upcoming ADMC and DMGC meetings, particularly those that are pressing. Following this point, the summaries of discussion were approved by the Committee.

2. OFSV-OOSV Gap Analysis Update

- The discussion transitioned to the first agenda item, OFSV-OOSV Gap Analysis Update.
- [redacted]
- [redacted]
- [redacted]
- [redacted]

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

s.69(1)(g) re: (a)

s.69(1)(g) re: (a)

3. DPS Project Status Report

- DND, CCG and PSPC provided an update on procurements under DMGC oversight.

s.69(1)(g) re: (a)

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

- PSPC indicated that this proposal was already considered and a decision was made among core DMGC members that the project is currently being managed and reported under a separate DM-level governance committee which meets weekly given the urgent need for the capability.

4. Master Schedule

s.69(1)(g) re: (a) s.69(1)(g) re: (c)

5. Shipbuilding Costs and Premiums in Canada

s.69(1)(g) re: (c)

- The Chair turned to DND to provide a briefing on Shipbuilding Costs and Premium. This item was first discussed at DMGC and ADMC in November 2016

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

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-

Action Items:

-
-
-

6. Update on OFSV Contract Amendment

s.69(1)(g) re: (c)

- Members were provided an update on the OFSV contract amendment
-
-
-

7. DPS Governance

- The DPS Secretariat referenced the DMGC Open Action Items tracker and indicated to members that the Secretariat staff will be following-up on any outstanding items.

8. Roundtable and Closing Remarks

- *Steve Brunton Education Papers*
  - DPS Secretariat invited members to provide any comments on the Shipbuilding Advisor's education papers.

- *NSS Annual Report to Parliament*
  - A brief update was provided on the timelines to update and approve the report in advance of its tabling to Parliament in March.

- The DMGC Chair thanked members for attending the meeting and reminded them that a special DMGC meeting will be scheduled in the near-term to discuss the OFSV-OOSV Gap.

Action Item:

-

s.69(1)(g) re: (a)

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69(1)(g) re: (e)

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NATIONAL SHIPBUILDING STRATEGY
STRATÉGIE NATIONALE DE CONSTRUCTION NAVALE

NSS Risk Management Strategy

Status Update for DMGC & Request for Endorsement

March 10, 2017

Canada

Contents

Objectives

- Today, NSS Program Management Office (PgMO) is seeking two things:
  - 1) To inform DMGC of the NSS PgMO's progress to-date in rebuilding the NSS risk management processes; and
  - 2) To obtain DMGC endorsement of the new approach to risk management.

s.21(1)(a)
s.21(1)(b)

Background

- In Fall 2016, the NSS PgMO began conducting a rebuild of the risk management processes that were developed in 2014.
- This exercise is driven by senior management interest and concern that there needs to be a more vigorous consideration of risk at the Program and Strategy level.
-
- As of Fall 2016, risk management across the NSS was incomplete due to lack of an integrated approach to risk management and absence of a formal mechanism to elevate and report on risks to senior leadership.

Accomplishments

- A Risk Management Board (RMB) at the DG level was established in October 2016, Terms of Reference approved in December 2016, and Risk Management Framework approved in December 2016. The ADMC approved the new approach to risk management on January 30, 2017.
- A new risk register has been developed with ~20 strategy and program level risks, 8 of which have had risk owners identified and mitigation plans developed and approved by the Directors General Governance Committee (DGGC).
- ***So far, top strategy level risks include*** fragmented approvals processes and HR capacity.
- ***Top program level risks include*** production gaps and backstop liability payments.

Risk Management Board

- In December 2016, the DGGC also approved the Terms of Reference for a NSS Risk Management Board (RMB) – this is the second major part of the new approach to risk management.
- The members of the DGGC will also be the members of the RMB, and the RMB will meet monthly to:
  - Identify, assess, and review risks at the program and strategy levels;
  - Identify and take mitigation actions; and
  - Recommend risks to be raised to the ADM and DM level for mitigation (a simple test for escalation will be used – can the risk management actions be completed at the current level of seniority? If not, the risk should be raised).
- The creation of the RMB is aligned

Endorsement from DMGC

- DMGC to endorse:
  - the new NSS approach to risk management, including a Risk Management Framework and a Risk Management Board, that together address prior risk management deficiencies.
  - DMGC to review program and strategy-level risks on a quarterly basis (or as required), and take risk management actions, champion, and coordinate risk management actions, all on an as-needed basis.

Next Steps

- Upon receiving approval from DMGC, the NSS PgMO will complete its risk management rebuild and will begin the new risk elevation and reporting cycles.
- By May:
  - Regular risk updates will be provided and top risks identified and presented to DMGC in the first quarterly report (unless a risk needs immediate management actions, then the risk will be raised at the next monthly DMGC meeting).
  - The formal risk reporting cycle will commence, but risk management is an evolving effort.

NATIONAL SHIPBUILDING STRATEGY
STRATÉGIE NATIONALE DE CONSTRUCTION NAVALE

NSS Risk Management Strategy

Status Update for DMGC & Request for Endorsement

Appendix: Risk Sample

March 10, 2017

Canada

NSS Strategy & Program Risk Heat Maps

- So far, while 8 risks of the ~20 identified have been formally approved by the DG level Risk Management Board, 16 risks of the ~20 identified have been assessed and scored by the NSS Program Management Office – the distribution in scoring of these 16 risks is presented in the below heat maps.

- For illustrative purposes, the profile of the top scoring program level risk after mitigation is contained in this document as a risk sample: ***OFSV-OOSV Production Gap.***

- The production gap risk's location in the heat maps is circled.

Canada

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Risk Sample: OFSV-OOSV Production Gap

- One of the top Program-level risks is: ***OFSV-OOSV Production Gap.***
- ***Statement:*** there is a risk that a production gap between OFSV and OOSV will

s.21(1)(a)
s.21(1)(b)

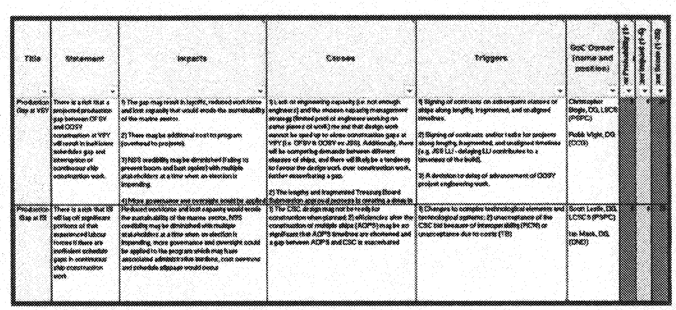
Risk Sample Continued: OFSV-OOSV Production Gap

Canada

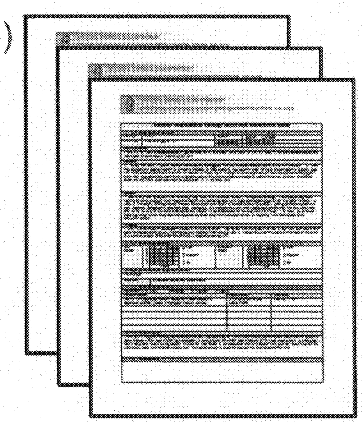
Risk Scoring & Risk Tools

- ***Risk Scoring:***
  - ***Risk probability*** refers to the likelihood that a risk will occur before the end of the Strategy or Program (i.e. 5/5 = High probability, 80%< the risk will occur vs. 1/5 = Low probability, 20%> the risk will occur).
  - ***Risk impact*** refers to the severity of the risk in terms of the relevant Strategy or Program's goals and objectives (i.e. 5/5 = High impact, stopping the achievement of functional goals and objectives vs. 1/5 = Low impact, negligible effects).
  - ***Risk proximity*** refers to how soon the risk is expected to occur (i.e. 3/3 = Near proximity, the risk is expected to occur in the next 6 months vs. 1/3 = Far proximity, the risk is expected to occur at least 2 years away from the current date).
- ***Risk Tools:***
  - In addition to risk heat maps, other tools have been or are being developed, such as a) a risk register and b) risk information sheets.

a)



b)



Canada

NATIONAL SHIPBUILDING STRATEGY
STRATÉGIE NATIONALE EN MATIÈRE DE CONSTRUCTION NAVALE

NSS RISK MANAGEMENT FRAMEWORK

Version 1.0
29 Dec. 2016

National Shipbuilding Strategy

Acquisitions Branch

Public Services & Procurement Canada

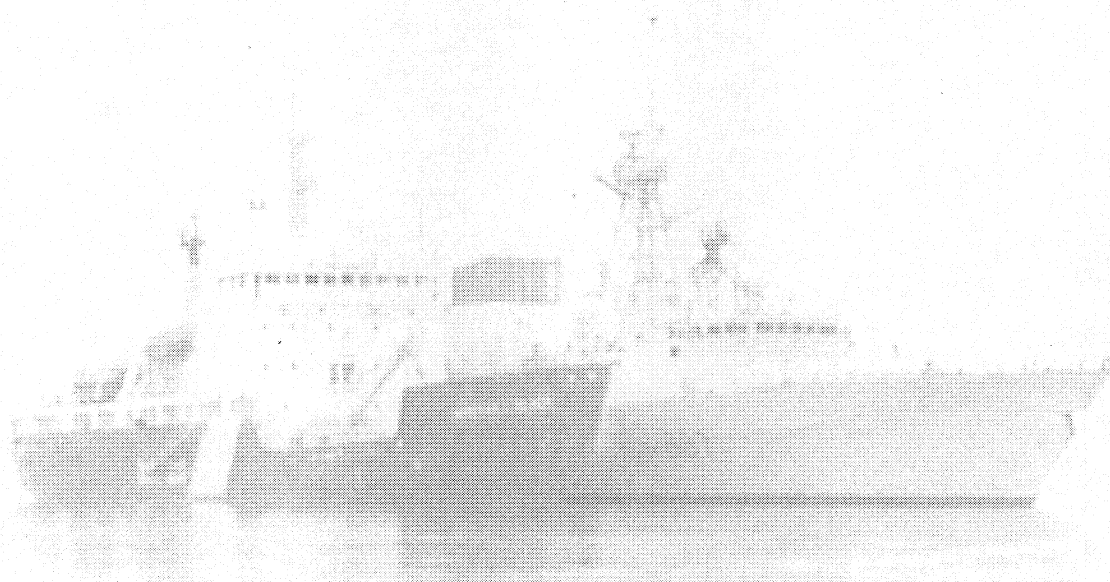


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REVISION HISTORY

Version	Date	Change Request(s)	Description	Modified By
0.1	17 November 2016		Initial draft completed based on the NSPS Risk Assessment Framework	Keeton Wilcock
0.2	5 December 2016	Doug Taggart, Yuliya Yarotska	"Portfolio" to "strategy," "risk assessment" to "risk management," other edits for clarity	Keeton Wilcock
3.0	29 December 2016	Scott Leslie	Removal of "procedures" from "Terms of Reference and Procedures," clarification of terms, RACI simplification	Keeton Wilcock
4.0	29 December 2016	Doug Taggart	"PSPC Risk Integrated Management Framework" to "PWGSC Policy on Integrated Risk Management"	Keeton Wilcock
1.0	29 December 2016	DGGC	Update to version 1.0 as DGGC accepted RMF on Dec. 22, 2016	Keeton Wilcock

1 NSS RISK MANAGEMENT FRAMEWORK

1.1 Objectives

1.1.1 Objective

The objective of the Risk Management Framework (RMF) is to provide a systematic approach to manage the risks and opportunities on the capital acquisition of large ships under the NSS. These risks[1] and opportunities may be manifested, from time to time, leading to an impact of potentially positive and negative outcomes for the NSS initiative in terms of schedule, budget, and requirements. While the Framework may consider in-service support issues on the fringe, it is centered on the capital acquisition of large federal ships under the NSS.

1.1.2 Purpose

The purpose of this RMF is to provide the NSS Program Management Office (PgMO), PSPC, a framework to execute an integrated[2] Program and Strategy-level risk management regime (including identifying, assessing, monitoring, and communicating) on an on-going basis.

Note that in order to execute this framework, the NSS PgMO will need to consider the key outputs of risk assessment and risk management efforts conducted by individual Project Management Offices (PMOs) at the Project-level in developing its Program and Strategy-level Risk Register.

By executing the Framework and by managing relevant Program and Strategy risks, it is expected that the successful implementation of the NSS and its main will be assisted, where the main objectives of the NSS are:

- Timely delivery of affordable ships to the Royal Canadian Navy and Canadian Coast Guard;
- Development of a sustainable Canadian Marine Sector; and
- Delivery of economic benefits for Canada.

1.1.3 Outcomes

The key outcomes of the implementation of the RMF are envisioned as avoidance of identified risks where possible and reduction of estimated likelihood and impact of risks where possible, as well as exploitation of identified opportunities where possible. These outcomes will only be visible over time, but the tangibility of these outcomes will be aided by tracking trends in risks on a monthly, quarterly, and yearly basis. Implementing the RMF will also contribute to a risk-informed approach toward managing the NSS.

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[1] Risk: "the effect of uncertainty on objectives" (general) and "the expression of the likelihood and impact of an event with the potential to affect the achievement of an organization's objectives" (technical) – *TBS Guide to Integrated Risk Management*

[2] Integrated in the continuous, proactive, and systematic sense, and in terms of collaborating horizontally with all relevant stakeholders, including those from the Department of National Defence, the Canadian Coast Guard, and Innovation, Science and Economic Development Canada.

1.1.4 Outputs

The key outputs, or products, of the implementation of the RMF are envisioned as a well-maintained Risk Register and a one page Dashboard, delivered on a quarterly basis, or more often as requested, to the ADMC, DMGC, and other NSS governance bodies as required. NSS PgMO will also produce a quarterly Risk Report. This report will contain statistics from the Risk Register on time frame, trends, risk scores, risk mitigation strategies, Program vs. Strategy-level categorization, etc. The Risk Management Board Chair (see "National Shipbuilding Strategy Risk Management Board Terms of Reference") will specify additional contents of this report from time to time as required to address the circumstance and support the on-going presentation the NSS Governance.

These outputs will support the Project and procurement risks that will form the narrative in planning, reporting, and approval documents, such as procurement plans, Business Planning Briefs, Ministerial Memoranda and Treasury Board Submissions. The Program risk register can also be used for the annual Integrated Business Planning cycle for the Acquisitions Program.

1.1.5 Principles

The principles promoted by the NSS PgMO in establishing the Framework are:

- Risk management as an ongoing process from the perspective of being proactive and continued monitoring, although formal assessments and tracking will be a monthly;
- The risk management process and supporting tools will accommodate existing business processes, where possible;
- Management outputs are to ensure that NSS Program and Strategy risks are reflected;
- Risk information is to be shared proactively, vertically and horizontally across NSS departmental boundaries;
- Risk Registers to be multi-functional and of standard content to facilitate supporting various approvals, audits and knowledge transfers;
- Risk Registers to reflect and align with Project-level risk assessments and management practices from the PMOs and their impact on the NSS at the Program and Strategy-level, but will not duplicate or add unnecessary administration; and
- The reporting at regular frequencies with an appropriate level of information to the NSS governance.

The NSS PgMO is committed to continuous efforts to refine and mature the RMF. The RMF is an iterative document to help provide an overall approach and consistency in communications.

1.1.6 Roles and Responsibilities

See Annex 2.1 for a Responsibility Assignment Matrix.

1.2 Definitions

Treasury Board Secretariat (TBS) provides Tools and Guides for Risk Management to help strengthen the Canadian federal public sector's integrated risk management practices. This RMF is designed to be consistent with the TBS's guidelines and is based on *Treasury Board Secretariat's Guide to Integrated Risk Management* and *Framework for the Management of Risk*. The Framework utilizes terminologies, definitions, and risk statements that are aligned with the TBS Guideline. The intent of the RMF is to align with the PWGSC Policy on *Integrated Risk Management* and other key departmental (e.g. DND, DFO) policies and guidelines pertaining to risk management.

The intention of this risk management practice is to present analysis results in a manner consistent with other capital acquisition projects in the Federal Government and to facilitate communication among stakeholders, thereby ensuring a common and clear understanding.

NSS PgMO acknowledges that Project-level risk management strategies are developed based on Projects' unique contexts and may change or extend the scope of the assessments and strategies, requiring broadened range of definitions and terminologies. The Framework does not limit sources or references of terminologies or statements to the TBS Guideline while keeping an alignment with these terms for the purpose of assessment and reporting at the Program and Strategy-level.

Definitions, which are consistent with the documents listed above and which are used here, include:

- **Risk:** refers to the effect of uncertainty on objectives. It is the expression of the likelihood and impact of an event with the potential to affect the achievement of an organization's objectives;
- **Risk management:** is a systemic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on and communicating risk;
- **Integrated risk management:** Risk management cannot be practiced effectively in silos. As a result, *integrated* risk management promotes a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective in a cohesive and consistent manner
- **Risk informed approach:** A risk-informed approach to management builds risk management into existing governance and organizational structures, including business planning, decision-making and operational processes. It also ensures that the workplace has the capacity and tools to be innovative while protecting the public interest and maintaining public trust.
- **Avoid:** eliminating uncertainty by removing the cause of the risk, for example changes to the project plan, assumptions, the sequence of construction strategy, etc. Some changes can be made that will not negatively impact or avoid the project to achieve its goals.
- **Mitigate:** adjusting risk exposure by reducing the probability of the impact and uncertainty to an acceptable level due to the fact that some risks cannot be avoided. Risks are mitigated by planning and implementing staged risk reduction action plans like work-around plans or re-planning to minimize its probability and/or impact. Fall back plans with a decision point, action and costs are also included. Examples: include threats that will affect the critical path of the project, cause fair level of reputational damage, injury with lost time, etc.

- **Transfer:** allocating ownership. Generally (but not always), risks with low probability of occurrence, but with a high cost impact should be transferred to a third party by purchasing an insurance, outsourcing or establishing partnerships. However, sometimes the risk is partially transferred and additional actions may be required to address any potential residual impact that it is still considered critical if not covered in other risks. For example: risk of potential fire or major environment incident. The organisation could transfer the risk by purchasing the insurance but in some cases the insurance does not cover business discontinuity. Either, other insurance should be purchased or additional actions should be developed. Note that some risks could also be transferred to contractors or subcontractors by establishing milestones and penalties if milestones are not achieved. probability and/or impact. Fall back plans with a decision point, action and costs are also included. Examples: include threats that will affect the critical path of the project, cause fair level of reputational damage, injury with lost time, etc.
- **Accept**: including the risk in the baseline with no planned mitigation or contingency action. The cost to mitigate the risk could be greater than the benefit of the mitigation could bring to the project which means that it is not worth to implement the action plan and the best strategy is to accept the risk and consider it in the project baseline. However, it is highly recommended to properly monitor and control the risk to identify potential changes in the risk impact that could lead to changes in the risk strategy, the impact could increase and the mitigation cost could be low which would justify the implementation of the response plan.

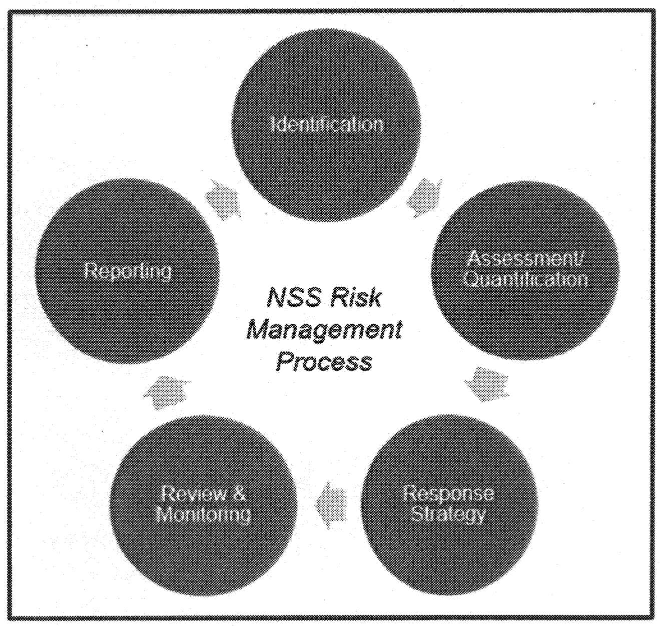
1.3 Program and Strategy-Level Risk Management Framework

1.3.1 Program and Strategy Risk Management Process

The objective of the Program and Strategy Risk Management Process is to identify, analyze and evaluate the NSS risks at the Program and Strategy-level, to propose treatment options and mitigation strategies based on risk analysis, and to communicate and review the status of the Risk Items.

The risk management process described below is generally consistent with the TBS *Guide to Integrated Risk Management*, the *PSPC Integrated Risk Management Policy*, and the *Acquisition Program Risk Management Policy*. Note that the risk management process is a continuous one, as the below diagram illustrates.

a) Risk Identification



The objective of this step is to identify key risks, as well as internal and external factors that may potentially affect the NSS and to clearly understand the implications of the identified risks and trigger points to the NSS as a whole. Diverse information on identified risks is to be input into the risk assessment discussion. The resources for the discussion include but are not limited to:

- Project risks elevated from Project risk review through the escalation process;
- Project contexts provided by the PMOs;
- Feedback collected through other sources, such as the Project one-pagers, NSS governance committees, and lessons learned from knowledge and experiences of subject matter experts; and
- Data collected through third party reports (e.g. SPAR, FMI, etc.)

Risks are defined with a detailed description in a form of risk statement (if ______ occurs, then the consequences could result in ______ OR if ______ occurs due to ______, then the consequences could result in ______[3]) and analyzed as to the nature, source, and type of impact.

Typical tools for risk identification exercises include:

- Brainstorming (e.g., through a Risk Workshop);
- Audit/inspection/interview;
- Case studies;
- Scenario analysis;
- Decision trees;
- Flow charts/diagrams/tables;
- Strengths-Weaknesses-Opportunities-Threats analysis; and

[3] *TBS Guide to Risk Statements*

- Hazard Identification Risk Assessments.

This step also includes categorization of each risk with a set of pre-determined categories – the TBS *Guide to Risk Taxonomies* deals with this part of risk management. Typical categorization criteria for procurement projects are:

- Strategic versus Operational;
- Project versus Program versus Strategy level;
- Procurement phase: planning, procurement, negotiation, contract management; and
- Types of risks[4]: business processes, capital infrastructure, communications, conflict of interest, financial management, governance and strategic direction, human resources management, information management, information technology, knowledge management, legal, organizational transformation and change management, policy development and implementation, privacy/information stewardship, program design and delivery (incl. approval, design, build, deliver), project management, political, reputational, resource management, stakeholders and partnerships, and values and ethics.

b) Risk Assessment/Quantification

Risk quantification is the step of estimating, at the very least, the probability of a risk event occurring and the consequence if it were to occur.

Probability is the chance that the risk event will be actually realized. Estimated probability can be justified with statistical data or simulation outputs from a software or program. However, in practice, the estimate largely relies on precedents, experiences and opinions of professionals (risk workshop panels).

Consequence measures the severity of effect when the risk event is realized (often in terms of financial, schedule, credibility, and objectives impact). NSS PgMO should consider the risk tolerance levels or/and risk cultures of various stakeholders to determine the consequence criteria, for example an "Impact" score ranging from 1 to 5 and Risk Matrix– but it is important to note that this criteria should be applied across risks in consistent manner.

The product of probability and consequence is the Rating of Risk or Risk Score – a "Raw Risk Score." After considering risk response strategies, risks should be re-assessed for "Residual Risk Scores."

c) Risk Response Strategy

Risk Response Strategy is a proposed action to prevent a risk from occurrence or minimize its negative impact to the Project/Program/Strategy in case the risk is realized. The first step in this exercise is to evaluate:

- Whether the risk is avoidable;
- Whether there is any need to act upon the risk;
- Whether and how the impact or probability of risk occurrence can be reduced with a set of actions;
- The appropriate party (e.g., NSS PgMO, PMOs or anyone else) that can better manage the risk and to whom the risk can be transferred; and
- Whether the risk has a potential for positive consequence (e.g., opportunity).

[4] *TBS Guide to Risk Taxonomies*

Examples of consideration to be taken into account for establishing risk response strategies also include:

- Whether the risk is significant enough to take the action (in terms of probability, consequence or risk score);
- The current NSS policies, principles, corporate plan or budget that allow any action to be taken; and
- If there is any net benefit of taking action against the cost associated with the action.

Depending on these considerations, funds may be allocated to a risk mitigation plan in expectation that there will be a net benefit of investing in risk mitigation (i.e. the investment is smaller than the amount that the risk is reduced by). In practice, the Risk Management Board discussion will add significant value in establishing risk mitigation strategies. Further, it is important to elevate the risk mitigation strategies to NSS governance as applicable (i.e. up to ADMC) and to monitor the mitigation strategies.

d) Risk Review and Monitoring

This step involves the regular review of risk information to ensure that the impact of changing circumstances on risks is considered. It also involves the review of risk responses to ensure that they are effectively implemented and achieve their planned results.

On a monthly basis, NSS PgMO will support the Risk Management Board in reviewing and monitoring risks in general, and reviewing and monitoring, more specifically:

- Whether the right people are involved in the monitoring of risks;
- How evolving circumstances change the nature and level of risks;
- What progress has been made on implementing risk responses;
- How effective risk responses are in terms of moving risks toward tolerable levels;
- Whether the communication of risk information is of proper quality and quantity; and
- How well risk indicators are integrated with other performance measures and accurately reflect the status of risk items.

e) Risk Reporting

Risk reporting refers to the communication and reporting of risk information to the appropriate levels of the organizations at the right times to support decision-making.

At the Project-level, NSS PgMO will analyze as many of the applicable risk registers as possible and will also attend Project-level risk meetings from time to time. The risk information from these registers and meetings will often form causes or triggers or subsidiary risks to risks identified at the Program and Strategy-level.

At the Program and Strategy-level, NSS PgMO will maintain an up-to-date Risk Register and Dashboard for ADMC, DMGC, and other NSS governance bodies as required. NSS PgMO will also produce a quarterly Risk Report. This report will contain statistics from the Risk Register on time frame, trends, risk scores, risk mitigation strategies, Program vs. Strategy-level categorization, etc. The Risk Management Board Chair (see "National Shipbuilding Strategy Risk Management Board Terms of Reference") will specify additional contents of this report from time to time as required to address the circumstance and support the on-going presentation the NSS Governance.

Information will be communicated back down to the Risk Management Board from ADMC, DMGC, PMC, and EGC through Records of Proceedings and direct taskings.

1.3.2 Project Risk Integration

a) Program and Strategy-level Risk Register

As a part of an integrated information exchange structure, a Program and Strategy-level Risk Register will be established by the NSS PgMO. Individual PMOs will be provided with access to and share their risk assessment information (e.g., specific Project risk registers and periodic risk reports) with the NSS and other PMOs. The format of the Program and Strategy-level Risk Register will be developed as part of the implementation of the RMF. An information sharing protocol will be developed to which all PMOs and the NSS will have access. The intention is to facilitate the risk information exchange between the NSS and PMOs, and minimize the PMOs effort in the administration.

<u>Administration of the Program Risk Registry</u>

- NSS PgMO is responsible for initiating and maintaining the Program and Strategy-level Risk Register.
- NSS PgMO shares information from the Program and Strategy-level Risk Register with the PMOs using protocols and practices established with the PMOs.
- PMOs lead on maintaining the Project Risk Registers.
- PMOs, through existing risk management practices and roles, share information from the Project Risk Registers with the NSS PgMO using protocols and practices referred to above.

Risk would be assigned in the Risk Register and four action options will be used for responding to risk: transfer, mitigate, accept, and avoid.

Recognizing that the timing of the risk management cycle may not be aligned among the PMOs, the NSS PgMO, as the administrator, is to reach out to individual PMOs or groups of PMOs for scheduled updates.

b) Project Risk Notification and Review Process

With the support and information exchange through the Program and Strategy-level Risk Register, the NSS PgMO will be able to consolidate and review Project-level risk information and elevate the selected Project risks for further analysis to add to the Program-level risk assessment. The first step is to confirm the NSS PgMO's understanding of project risks with the PMOs and position that risk information for senior management review. The proposed process is as follows:

<u>Project Risk Notification and Review Process</u>

NSS PgMO, through consultation with the PMOs and the NSS governance, establishes notification and review criteria to identify/select Project risks for evaluation at the Program and Strategy-level based on the following triggers:

- Changes in scheduling elements, namely: publicly announced dates, cardinal dates, Project milestones greater than three months;
- Changes in the Project budget or scope, or events requiring access to a Project's contingency; and

- Impact on the NSS Program objectives.

Upon being notified by the PMO on changes to risk, the NSS PgMO reviews the information to gain an understanding of the nature of the change. Through consultation with the PMO, the NSS PgMO confirms its understandings of the risks with the PMO and seeks clarification when necessary.

The NSS PgMO updates the Program and Strategy-level Risk Register, if applicable, and prepares briefings as required to NSS governance.

In its role of managing the Project risk notification and review process, the NSS PgMO will seek to add value through its feedback to project-level risk assessments.

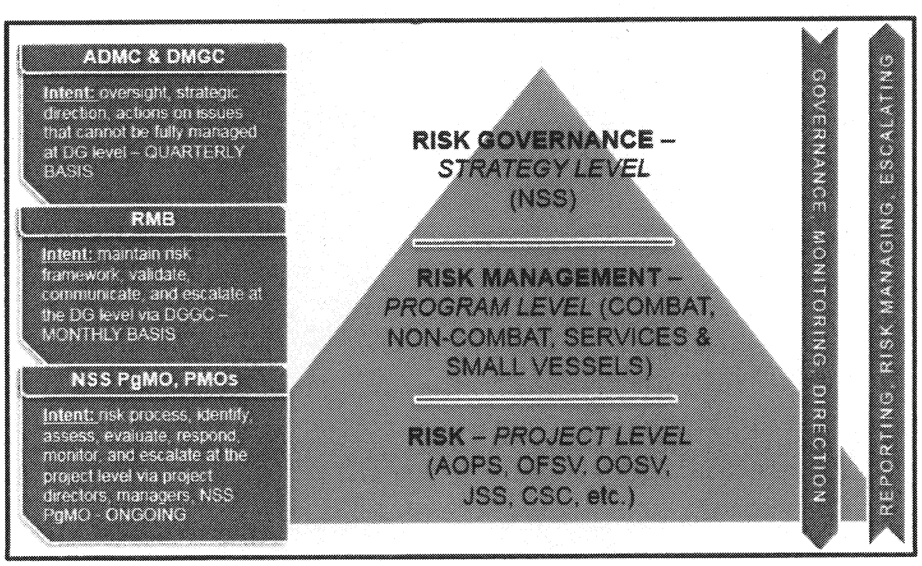
c) Risk Information Consistency

The NSS Program and Strategy-level Risk Register will accommodate information formats provided by PMOs. In general, to maintain consistency, the following elements will be recorded:

- Risk item information including name and description in the form of a risk statement, and risk owner;
- Implication of risk item including cause, trigger, consequence and impact;
- Basis for risk, scoring including probability of occurrence and impact, including any financial impact;
- Overall score and its justification;
- Treatment options and mitigation strategies;
- Opportunity identification; and
- Residual risk information.

1.3.3 Governance Integration

This RMF has advocated that NSS risk management be integrated vertically from the Project to Strategy-level and horizontally across departments in formal governance bodies. Referring back to Section 1.2 of this RMF, "risk management cannot be practiced effectively in silos." The below diagram is a simple depiction of the governance integration advocated here.



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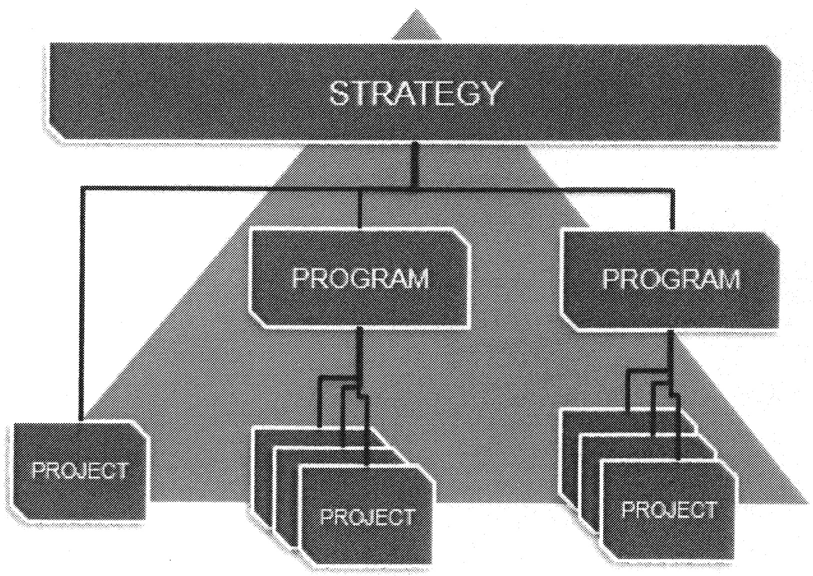
2 ANNEXES

2.1 NSS PgMO Risk RACI Matrix

	ADMC	DMGC	ISI/ VSY	NSS PgMO	PMC	PMOs	RMB
Identifying Program risks, assessments, mitigations	I	-	C	R	-	C	A
Identifying Strategy risks, assessments, mitigations	I	-	C	R	-	C	A
Approving Strategy risks, assessments, mitigations	R	-	-	C	-	C	A
Approving Program risks, assessments, mitigations	I	-	-	C	-	C	R
Identifying OPIs, risks to be raised and lowered	I	-	-	R	-	C	A
Assigning OPIs, raising and lowering risks	I	-	-	R	-	C	A
General Program & Strategy risk monitoring and reporting	I	-	-	R	-	C	A
Maintaining Program & Strategy-level Risk Register and Dashboard	I	I	I*	R	I*	I	A
RMB ToRs, agenda, RoDs	I	-	-	R	-	I	A

- **Responsible:** those who do the work to achieve the task
- **Accountable:** the one ultimately answerable for the correct and thorough completion of the deliverable or task, and the one who delegates the work to those responsible
- **Consulted:** Those whose opinions are sought, typically subject matter experts and with whom there is two-way communication
- **Informed:** Those who are kept up-to-date on progress, often only on completion of the task or deliverable, and with whom there is just one-way communication

2.2 Project vs. Program vs. Strategy



- Strategy example: NSS
- Program example: Non-combat
- Project example: OFSV

Strategy **Risk Considerations:**
- Strategic – select the right things to do
- Government priorities: selection and optimization
- Organization-wide – business goal and values alignment

Program **Risk Considerations:**
- Strategic vs. tactical – ensure the right things get done
- Alignment of projects with overall program benefits
- Resource allocation
- Continued improvement

Project **Risk Considerations:**
- Tactical – do things well
- Delivery of product or service
- Triple constraints
- Quality, processes, tools, and techniques

NATIONAL SHIPBUILDING STRATEGY
STRATÉGIE NATIONALE EN MATIÈRE DE CONSTRUCTION NAVALE

TERMS OF REFERENCE
NSS Risk Management Board (RMB)

Version 1.0
29 Dec. 2016

National Shipbuilding Strategy

Acquisitions Branch

Public Services & Procurement Canada



TABLE OF CONTENTS

REVISION HISTORY

Version	Date	Change Request(s)	Description	Modified By
0.1	17 November 2016		Initial draft completed based on the APT RMB ToR and the NSPS PMRC for Risk Management ToR	Keeton Wilcock
0.2	5 December 2016	Doug Taggart, Yuliya Yarotska	"Portfolio" to "Strategy," edits for clarification	Keeton Wilcock
0.3	15 December 2016	Doug Taggart, Yuliya Yarotska	Edits for clarification	Keeton Wilcock
0.4	20 December 2016	Ian Mack	Deletion of Quorum section as no money is being spent/policy being set	Keeton Wilcock
0.5	29 December 2016	Scott Leslie	Scott Leslie as RMB chair, membership update, RACI simplification, Program vs Strategy clarification	Keeton Wilcock
0.6	29 December 2016	Doug Taggart	"PSPC Risk Integrated Management Framework" to "PWGSC Policy on Integrated Risk Management"	Keeton Wilcock
1.0	29 December 2016	DGGC	ToR accepted by DGGC, ToR changed to version 1.0	Keeton Wilcock

1 NSS RISK MANAGEMENT BOARD TERMS OF REFERENCE

1.1 Overview

To fulfill the assigned responsibilities and manage the activities pursuant to the National Shipbuilding Strategy (NSS) Risk Management Framework (RMF) and the Program Management Plan (PMP), the NSS Program Management Office (PgMO) and the NSS Director General Governance Committee will establish a Risk Management Board (RMB) to oversee the management of Program and Strategy-level risks to the NSS and its three main objectives, namely:

- Timely delivery of affordable ships to the Royal Canadian Navy and Canadian Coast Guard;
- Development of a sustainable Canadian Marine Sector; and
- Delivery of economic benefits for Canada.

These Terms of Reference are intended to summarize the role of the RMB in applying a risk management lens to the NSS Program and Strategy-level activities through the application of the NSS RMF. This is all done in expectation of enhancing the likelihood of successful attainment of each of the NSS's three main objectives.

1.2 Purpose and Scope

Treasury Board (TB) of Canada has recognized through experience that capital projects, especially large and complex ones like the NSS, are subject to risks that must be formally managed in accordance with the following references:

- The *Framework for the Management of Risk* (TB); and
- The *PWGSC Policy on Integrated Risk Management.*

Risk management for the NSS is conducted under the authority and direction of the RMB.

1.3 RMB Mandate and Responsibilities

The RMB has full responsibility for and authority over processes (see Annex 2.1) and activities relating to NSS risk management.

1.4 Meetings

The NSS RMB will meet monthly or as otherwise requested by ADMC or DMGC. Meetings will be held in the National Capital Region. The NSS PgMO, and more specifically the NSS PgMO Risk Management Team, will act as the Secretariat supporting the RMB (i.e. scheduling meetings).

1.5 Information Management

The NSS PgMO will be distributing documents for meetings, maintaining version control of documents, and developing briefings, reports, and other documents as requested. The following documents will be distributed to RMB members two business days prior to a scheduled NSS RMB meeting:

- Meeting agenda;
- Previous meeting's Record of Decisions; and

- Current Risk Register highlighting the new, amended, or deleted risks to be presented to the NSS RMB.

1.6 Member Responsibilities

The Board is constituted to ensure that Program and Strategy risks pertaining to the NSS are identified, assessed, appropriately mitigated, and appropriately communicated to relevant NSS stakeholders. In simple terms, Program risks refer to those which are expected to impact either the Combat or the Non-Combat program, but not necessarily both (or if the risk impacts both programs, it will impact them in materially different ways). Strategy-level risks are expected to impact both the Combat and the Non-Combat programs. The responsibility and accountability for these actions reside with the RMB, with the NSS PgMO sharing some responsibilities in their Secretariat role (see Annex 2.2). The Board will report as required to the AMDC and DMGC. The Board will escalate risks to the ADMC when required and delegate risks to the Projects when required.

Specifically, the Board will provide the following advisory functions and responsibilities with respect to the key elements of NSS RMF:

- Review the Risk Register periodically (as part of this process, provide input to the identification, assessment and management of Program and Strategy-level risk, and review the completeness of the list of risks and identify any new risks which may materially impact the Program or Strategy);
- Review and validate the status of the top risks at every meeting;
- Conduct a thorough examination of at least one risk per meeting;
- Participate periodically in risk scoring of identified Program and Strategy risks;
- Assign OPIs and develop mitigation Strategies for risks;
- Identify risks to raise to ADMC and risks to delegate to Projects;
- Provide support and direction to the NSS PgMO risk team on risk-related issues, and support the development and continuous improvement of risk management practices; and
- Encourage and facilitate sharing of risk information and lessons learned/best practices among stakeholders.

1.7 Member Roles

The Chair of the RMB will provide the leadership in the management of events that could present substantial impact to the desired Program and Strategy-level outcomes of the NSS and the formulation of options to reduce the negative (risk) impact and/or to take advantage of the positive (opportunity) impact.

The Chair will lead the monthly review of up to the top 10 risks and new information (updates and new risks) in the Risk Register and lead a deep-dive on at least one risk, with support from the Secretariat. The Chair will also direct the RMB to provide a monthly Program Risk Dashboard and Strategy Risk Dashboard to the ADMC and DMGC, and will disseminate feedback from the bodies to the RMB for action.

The Secretary/Secretariat of the RMB will provide administrative support to the Chair, act as the coordination point for all business tabled at the RMB meetings, maintain the current the Risk Register and Dashboard, and prepare reports for the RMB as requested. The Secretary/Secretariat will provide the meeting agenda and material to be tabled at the RMB to

the members at least 2 business days prior to RMB meetings and record decisions and action items arising from each meeting.

RMB Members are responsible to alert the Secretariat of developments associated with current risks and new risks for analysis and review by the RMB, and to provide additional agenda item(s) and background to the Secretary for distribution to the membership.

1.8 Membership

The core membership of the RMB will include:

- **Standing Member** – Director General, Large Ships and NSS, PSPC
- **Standing Member** – Director General, Large Combat Ships, PSPC (Chair)
- **Standing Member** – Director General, Major Project Delivery (Sea), DND
- **Standing Member** – Director General, Major Projects, CCG
- **Standing Member** – Director General, Industrial Technological Benefits, ISED
- **Observing Member** – Director General, Defence Procurement Secretariat, PSPC
- **Observing Member** – Director, NSS PgMO, PSPC (Secretary)
- **Observing Member** – Risk Management Team, NSS PgMO, PSPC (Secretariat)[1]

The RMB will call upon other stakeholders to attend committee meetings, in accordance with the subject matter under consideration at the time. These stakeholders include but are not limited to:

- Procurement Directors of NSS Projects;
- Project Managers of NSS Projects;
- Assigned Communication Advisor(s) from Acquisitions Branch, PSPC;
- PSPC assigned Legal Counsel;
- PSPC assigned Cost Analysts;
- Industry Canada representatives responsible for Value Proposition (VP) and Industrial & Technological Benefits (ITBs);
- Representatives from DND's National Shipbuilding Procurement Office (NSPO) and the Department of Fisheries and Oceans; and
- Representatives from Treasury Board Secretariat (TBS).

The RMB may also call upon other stakeholders to attend and contribute to the Board meetings, on a periodic basis and as the need arises. These stakeholders include but are not limited to:

- Other Government Stakeholders;
- Third Party Advisor(s);
- Industry representatives; and
- Shipyard representative(s).

[1] The Director General, Marine Services and Small Vessels, PSPC, and DND and CCG counterparts, will also be brought onto the RMB as standing members once initial large ships and combat ships risk work has been completed.

2 ANNEXES

2.1 Risk Management Procedures

For full risk management procedures, please consult the *NSS Risk Management Framework*. Broadly, the risk management steps are:

a. Risk Identification

The objective of this step is to identify key risks, as well as internal and external factors that may potentially affect the NSS and to clearly understand the implications of the identified risks and trigger points to the NSS as a whole. This is also includes characterization of each risk with a set of pre-determined categories – the *TBS Guide to Risk Taxonomies* deals with this part of risk management.

b. Risk Assessment/Quantification

Risk quantification is the step of estimating, at the very least, the probability of a risk event occurring and the consequence if it were to occur.

c. Risk Response Strategy

Risk Response Strategy is a proposed action to prevent a risk from occurrence or minimize its negative impact to the Project/Program/Strategy in case the risk is realized.

d. Risk Review and Monitoring

This step involves the regular review of risk information to ensure that the impact of changing circumstances on risks is considered. It also involves the review of risk responses to ensure that they are effectively implemented and achieve their planned results.

e. Risk Reporting

This step refers to the communication and reporting of risk information to the appropriate levels of the organizations at the right times to support decision-making.

2.2 NSS PgMO - Risk – RACI Matrix

	ADMC	DMGC	ISI/ VSY	NSS PgMO	PMC	PMOs	RMB
Identifying Strategy risks, assessments, mitigations	I	-	C	R	-	C	A
Identifying Program risks, assessments, mitigations	I	-	C	R	-	C	A
Approving Strategy risks, assessments, mitigations	R	-	-	C	-	C	A
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- **Responsible:** those who do the work to achieve the task
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- **Informed:** Those who are kept up-to-date on progress, often only on completion of the task or deliverable, and with whom there is just one-way communication

PROJECTS/PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (March 10, 2017 DMGC)

National Shipbuilding Strategy Projects					
CAPITAL PROJECTS	**Scope**	**Schedule**	**Budget**	**Reasoning for rating & Key issues**	**Upcoming decisions / Action required**
Arctic and Offshore Patrol Ship (AOPS) (phase: **IMPLEMENTATION**)					
Canadian Surface Combatant (CSC) (phase: **DEFINITION**)					
Offshore Fisheries Science Vessel (OFSV) (phase: **IMPLEMENTATION**)					
Offshore Oceanographic Science Vessel (OOSV) (phase: **DEFINITION**)				• Construction is expected to start in 2018.	

	CAPITAL PROJECTS	Scope	Schedule	Budget	Reasoning for rating & Key issues	Upcoming decisions / Action required
	Joint Support Ship (JSS) (phase: **DEFINITION**)					
	Polar Class Icebreaker (phase: **DEFINITION**)					
A I R	**Fixed-Wing Search and Rescue (FWSAR)** (phase: **IMPLEMENTATION**)					

s.21(1)(a) s.69(1)(g) re: (a)

s.21(1)(b) s.69(1)(g) re: (c)

CAPITAL PROJECTS	Scope	Schedule	Budget	Reasoning for rating & Key issues	Upcoming decisions / Action required
Future Fighter Capability Project (FFCP) (phase: **OPTIONS ANALYSIS** (schedule baseline: N/A)					
Interim Fighter Capability Project (iFCP) (phase: Definition) (schedule baseline: TBC)					
Joint Unmanned Surv & Tgt Acq Sys (JUSTAS) (phase: **OPTIONS ANALYSIS**) (schedule baseline: N/A)					
Maritime Helicopter Project (MHP) (phase: **IMPLEMENTATION**)					

s.21(1)(a)
s.21(1)(b)
s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

	CAPITAL PROJECTS	Scope	Schedule	Budget	Reasoning for rating & Key issues	Upcoming decisions / Action required
LAND	**Logistics Vehicle Modernization (LVM)** (phase: **OPTIONS ANALYSIS**) (schedule baseline: N/A)					
SEA	**AOPS / JSS In-Service Support (AJISS)**					
	Interim Auxiliary Oiler Replenishment (iAOR)					
AIR	**Contracted Airborne Training Services (CATS) III**					

***Note: Performance ratings for Budget, Schedule and Scope for project in the Option Analysis Phase are not reported.**

s.21(1)(a)
s.21(1)(b)
s.69(1)(g) re: (a)

Annex A – Legend (MCP-IOC legend for Scope/Schedule/Budget color ratings)
To Projects / Procurements status report - Executive Summary

Area	Issue / Risk rating
Scope	**For projects in definition / implementation:** Green – No change to the approved scope. Yellow – There are risks that will likely lead to scope change. Red – Approved scope unachievable. Return to approval authority.
Budget	**For projects in definition:** Green – Forecast is to remain within approved Expenditure Authority by employing no more than 50% of the approved contingency[2]. Yellow – Forecast is to remain within approved Expenditure Authority by employing more than 50% of the approved contingency[2]. Red – Forecast is to exceed approved Expenditure Authority including approved contingency[2]. **For projects in definition looking forward to implementation:** Green - Current implementation budget is anticipated to be sufficient to deliver the capability. Yellow - Current implementation budget may not be sufficient and there is a risk of capability trade-offs to remain within budget. Red - Clear indications that the current implementation budget will not be sufficient; minimum requirements may not be met. **For projects in implementation:** Green – Forecast is to remain within approved Expenditure Authority by employing no more than 50% of the approved contingency[2]. Yellow – Forecast is to remain within approved Expenditure Authority by employing more than 50% of the approved contingency[2]. Red – Forecast is to exceed approved Expenditure Authority including the approved contingency[2].

Area	Issue / Risk rating	
Schedule	**For projects in definition:** Green – Within no more than three months (one quarter) or 110% of planned definition period whichever is greater. Yellow – Within three to six months (one to two quarters) or 110-120% of planned definition period, or of approved re-baseline by MCP-IOC, whichever is greater. Red – Over six months or longer than 120% of planned definition period or of approved re-baseline by MCP-IOC, whichever is greater. **For projects in implementation:** Green – Within no more than six months (two quarters) or 110% of planned period to last major article delivery acceptance, whichever is greater. Yellow – Within six to nine months (two to three quarters) or 110-120% of planned period to last major article delivery acceptance, or of approved re-baseline by MCP-IOC, whichever is greater. Red – Over nine months or longer than 120% of planned period to last major article delivery acceptance, or of approved re-baseline by MCP-IOC, whichever is greater.	
Trend		No change from previous report
		Deterioration from previous report
		Improvement from previous report

Note 1: The schedule indicator in Yellow or Red will be turned to Green after the Project Approving Authority or Government committee, as applicable, approves a project submission with a new timeline. Between such submission approvals, the indicator in Yellow or Red cannot return to Green, while Red to Yellow is allowed.
Note 2: Refers to the portion of the approved project funding that is budgeted to allow departmental project managers some flexibility managing project risk which could result in unforeseen changes to costs, without re-engaging the project approval process.

s.21(1)(a)
s.21(1)(b)

National Defence / Défense nationale

DATE: 2017-02-14

PROJECT TITLE: Arctic and Offshore Patrol Ship (AOPS)

PROJECT OBJECTIVE: | **PROJECT PHASE:** Implementation

To deliver ice-capable offshore patrol ships that will be used by the Royal Canadian Navy to conduct sovereignty and surveillance operations in Canada's waters, including the Arctic. The Arctic and Offshore Patrol Ship project is acquiring ships, in-service support elements, jetty infrastructures in Halifax and Esquimalt as well as a berthing and fueling facility at Nanisivik, Nunavut.

PROCUREMENT STRATEGY

The National Shipbuilding Strategy selected Irving Shipbuilding Incorporated to design and build the Arctic and Offshore Patrol Ship. A separate long term In-Service Support contract to be combined with the Joint Support Ship will be awarded through a competitive process.

ACHIEVEMENTS

March 2013: Awarded the Definition contract to Irving Shipbuilding Incorporated, which consisted of 7 tasks to be progressively completed on time and under budget in October 2015. Aside from maturing the design to a production-ready state, this included acquiring long lead item information and items to support design and construction. Also completed were the production of test modules for the first ship in advance of starting full production, which allowed the shipyard workforce to test their skills with new equipment.

January 2015: The government announced the award of the Build contract for the Arctic and Offshore Patrol Ships.

September 2015: With the official cutting of steel, the lead ship in the class, the future HMCS Harry DeWolf, entered full production.

August 2016: With the official cutting of steel, the second ship in the class, the future HMCS Margaret Brooke, entered full production.

KEY MILESTONES

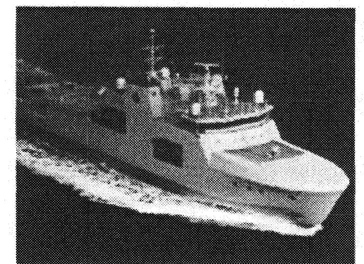
s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

Milestone	Approved	Planned/Actual	Notes/Comments
...Contract Award		2013-03-07	
...Contract Award		2015-01-05	
...Cut Steel Ship 1		2015-09-01	
...Cut Steel Ship 2		2016-08-25	
...First Delivery		2018	
...Initial Operational Capability		2019	
...Full Operational Capability		2023	
Project Closeout		2024	
...			
...			

FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	
Major In-Service Support Contract (over 25 years)	
Personnel, Operations and Maintenance (Dep't estimate over 25 years, excluding ISS cost)	
Estimated Life Expectancy (25 years)	

INDUSTRY ENGAGEMENT ACTIVITIES

Since March 2014, five Arctic and Offshore Patrol Ship and Joint Support Ship In-Service Support Industry working group meetings have occurred. Topics discussed included: Concept of In-Service Support, Performance Work Statement, Terms and Conditions, Performance Measures, Evaluation Concepts, and Relational Contracting. A series of one-on-one meetings with industry working group members were held 7-8 June 2016 to discuss Intellectual Property clauses and the proposed sparing model. All industry comments and concerns were adjudicated before the approval of the procurement plan and requisition. This allowed for the release of a Request for Proposal. Four submissions from industry were received on 8 November 2016. The evaluation process completed 14 December 2016. Negotiations with the highest scoring bidder started 18 January 2017 and successfully completed 8 February 2017. Written evaluation debriefs to all four bidders have been reviewed by the Fairness Monitor and sent 15 February 2017.



SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits (IRB) policy is being applied to the Arctic and Offshore Patrol Ship Definition and Implementation Contracts. The total IRB obligation is $2.5 billion, $537 million has been completed to-date and $1.2 billion is in progress.
Irving Shipbuilding Inc. has $12.5 million in National Shipbuilding Strategy Value Proposition obligations, with existing commitments valued at $11.1 million.

POINTS TO NOTE

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget (Definition)			
Budget (Implementation)			
Human Resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other			

TIMELINE

....	Contract Award	....	Contract Award	....	TODAY	....	First Delivery	Initial Operational Capability	....	....	Final Delivery	Full Operational Capability	Project Closeout	....	
***	▼	***	▼	***	▼	***	***	***	***	***	***	***	***	***	***
2012	2013	2014	2015	2016	2017	2018	2018	2019	2020	2021	2022	2023	2024		
	***		▲	▲	▲	▲	▲	▲	***	***	***	***	***	***	***
			Cut Steel Ship 1 and Final Design Review	Cut Steel Ship 2 and Schedule Re-baseline	Cut Steel Ship 3	Cut Steel Ship 4	Cut Steel Ship 5	Cut Steel Ship 6							

s.69(1)(g) re: (c)

s.69(1)(g) re: (c)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	N/A				
PMO Cost ($M)	N/A				
Contingency ($M)	N/A				
Total (by Millions)	$ 3,534.0 Public	$ 3,534.0 Public	N/A	$ 3,534.0 Public	

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expended to Last Trimester
BMT Fleet Technology Limited	Support to PMO				2008-05-07	
Irving Shipbuilding Inc.	Ancillary Contract			9.3 CAD Public	2012-06-27	
Irving Shipbuilding Inc.	Definition Contract				2013-03-07	
Irving Shipbuilding Inc.	Implementation Contract				2015-01-05	
						...
		... ...		... ...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

s.20(1)(c) s.21(1)(b)

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Through the DND Mercury Global Project - Joint Production, Operations and Support of Wideband Global Satellite Communications	Department of National Defense of Canada; Ministry of Defense of the Kingdom of Denmark; Minister of Defense of the Grand Duchy of Luxembourg; Minister of Defense of the Kingdom of the Netherlands; the New Zealand Defense Force; The Department of Defense of the United States of America	Certification of Wideband Global Satellite Systems that will be used on the Arctic and Offshore Patrol Ships.

ADDITIONAL INFORMATION

Definition Contract: All tasks under the Definition Contract have been technically completed. The Definition Contract will be closed once contract close-out activities are completed. The Definition Contract is expected to remain under budget.

Pages 276 to / à 277

are not relevant

sont non pertinentes

s.20(1)(c)
s.21(1)(b)
s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

DATE: 2017-02-01

PROJECT TITLE: Canadian Coast Guard: Offshore Fisheries Science Vessels

PROJECT OBJECTIVE:	PROJECT PHASE:
The Canadian Coast Guard is procuring three new Offshore Fisheries Science Vessels (OFSV) to replace CCGS W.E. Ricker (1978), CCGS Alfred Needler (1982) and CCGS Teleost (1988) as the primary offshore fisheries science platform for Fisheries and Oceans Canada Science and the Government of Canada in the following operational areas: North Atlantic, including the Gulf of St. Lawrence and the Labrador Sea; North Pacific; and Davis Strait and Baffin Bay.	Implementation

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, Vancouver Shipyards (VSY) was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- Further milestone dates are found below, in key milestones.
- In October 2010, Canada awarded a design contract to STX Canada Marine Inc. (company was later acquired by VARD Marine). Design was completed in February 2012.
- In October 2012, Canada entered into contract with VSY in order for the shipyard to identify commonality in engineering and construction work items including structure, equipment, systems and components in the OFSV and Offshore Oceanographic Science Vessel design packages, with the goal of realizing efficiencies and reducing any potential redundant efforts.
- In February 2013, Canada entered into a contract for construction engineering with VSY to commence necessary pre-construction activities. Engineering work commenced March 2013.
- In January 2014, the procurement of long-lead items and material contract was signed with VSY enabling the yard to initiate discussion with potential suppliers and to purchase required material and equipment.
- The shipbuilding contract award signed with VSY on June 18, 2015. Work commenced the following day of the first OFSV. Construction commenced for the second OFSV in March 2016 and on the third OFSV in February 2017.

KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
Implementation – Contract Award		June 18, 2015	
Implementation – Delivery (First OFSV)		Winter 2018	
Implementation – Initial Operational Capability		Spring 2018	
Implementation – Final Delivery		2019	
Implementation – Full Operational Capability		2019	
Project Closeout		2021	

FINANCIALS

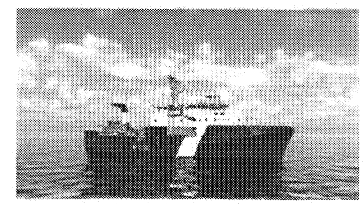
	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 687.0
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (30 years)	

TIMELINE

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
							Contract Award ▼			First Delivery ▼	Final Delivery ▼		Project Closeout ▼		
		▲ Contract Award (Design)		▲ Contract Award (Commonality Study)	▲ Contract Award (Construction Engineering)	▲ Contract Award (Long-Lead Items/Material)	▲ Cut Steel OFSV 1	▲ Cut Steel OFSV 2	▲ Cut Steel (OFSV #3)		▲ Full Operational Capability				

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits (IRB) Policy was applied to contracts, including Construction Engineering, Initial Block, Long Lead Items, and Construction contracts. The total IRB obligation for the OFSV project is currently $496M, with $30M completed to date and $165M in progress. VSY has $2.5 million in NSS Value Proposition obligations, with existing commitments valued at $4.2 million. * Values are updated annually.

POINTS TO NOTE

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget (Definition)			
Budget (Implentation)			
Human resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other	...	...	

s.69(1)(g) re: (c)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...				
PMO Cost ($M)	...				
Contingency ($M)	...				
Total (by Millions)	$ 687.0 Public	$ 687.0 Public	...	$ 687.0 Public	

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expended to Last Trimester
Vancouver Shipyards Co. Ltd.	Construction Engineering			...	2013-02-21	
	Shipbuilding			...	2015-06-29	
	Long Lead Items			...	2014-01-29	
	Initial Block			...	2013-10-02	
				...		
		...	...	... ...		...
		...	...	... ...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
MOU between Acquisitions Branch (PSPC) and CCG	PSPC and CCG	Contracting Authority
NSS Secretariat	PSPC, DND, CCG	Implementation of NSS
Horizontal Engineering Program Planning	PSPC, DND, CCG	Horizontal program management, engineering and supply chain management

ADDITIONAL INFORMATION

- Construction engineering completed January 25, 2017.
- The start of construction for OFSV 3 began February 3, 2017.

s.20(1)(c)

s.21(1)(b)

DATE: 2017-02-01

PROJECT TITLE: Canadian Coast Guard - Offshore Oceanographic Science Vessel

PROJECT OBJECTIVE:

The Canadian Coast Guard is procuring an Offshore Oceanographic Science Vessel (Oceanographic Vessel) to replace CCGS Hudson (1963), its oldest and largest science vessel. The proposed replacement is expected to provide capabilities similar to those of CCGS Hudson acting as the primary offshore oceanographic science platform for Fisheries and Oceans Canada Science and the Government of Canada. The vessel will function in the following operational areas: Atlantic, year round; Arctic summer operations; and Gulf of St. Lawrence year round.

PROJECT PHASE: Definition

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, Vancouver Shipyards Co. Ltd. (VSY) was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- In October 2010, Canada awarded a design contract to STX Canada Marine Inc. (company was later acquired by VARD Marine). The Coast Guard accepted the design package in November 2011.

- In October 2012, Canada entered into contract with VSY in order for the shipyard to identify commonality in engineering and construction work items including structure, equipment, systems and components in the OFSV and OOSV design packages, with the goal of realizing efficiencies and reducing any potential redundant efforts.

- In November 2015, Canada awarded a Construction Engineering (CE) contract to VSY to undertake work necessary for construction of the Oceanographic Vessel. The work for Basic Design Assessment (BDA) is completed. Progress continues to be made on the BDA phase closure report.

- Since February 2016, a Long Lead Item / material contract is also in place for VSY to initiate early discussions with potential suppliers and to purchase material and equipment to build the Oceanographic Vessel.

KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
Implementation – Contract Award		Summer 2018	
Implementation – Delivery		2020	
Implementation – Full Operational Capability		2021	
Project Closeout		2023	

s.20(1)(c)
s.21(1)(b)

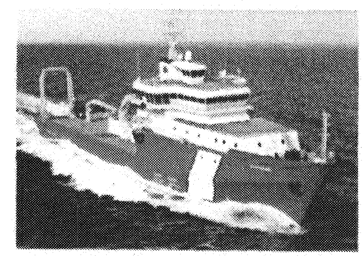
s.69(1)(g) re: (c)

FINANCIALS

	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 144.4
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (30 years)	

TIMELINE

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Contract Amendment	Contract Award		Final Delivery	Full Operational Capabili		Project Closeout		
Contract award (design)		Contract award (commonality study)			Contract award (construction engineering)	Contract Award (Long-lead items)		Cut steel							



INDUSTRY ENGAGEMENT ACTIVITIES

N/A

SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits Policy will be applied to the OOSV contract, including Construction and Engineering (CE), and Long-Lead Items (LLI) contracts. The total of value IRB obligations to date is $7.3M. In addition, the NSS Value Proposition equal to 0.05 percent of the value of the resultant contract applies to this procurement.

POINTS TO NOTE

N/A

ISSUE/RISK ASSESSMENT

s.69(1)(g) re: (c)

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget (Definition)			
Budget (Implentation)			
Human resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other			

s.21(1)(b)
s.20(1)(c)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...				
PMO Cost ($M)	...				
Contingency ($M)	...				
Total (by Millions)	...	$ 144.4 Public	...		

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

s.69(1)(g) re: (c)

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expended to Last Trimester
Seaspan's Vancouver Shipyards Co. Ltd.	Ancillary Task-based			2.8 CAD Public	2014-08-14	
VARD Marine	Ancillary Task-based			1.2 CAD Public	2014-06-22	
Seaspan's Vancouver Shipyards Co. Ltd.	Construction Engineering			35.5 CAD Public	2015-11-15	
Seaspan's Vancouver Shipyards Co. Ltd.	Long Lead Items and Material			2.0 CAD Public	2016-02-23	
				... ...		
				... ...		
		...	...	... ...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

s.21(1)(b) s.20(1)(c)

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Master Agreement for the Provision of Projects/Programs Procurement Services - via Acquisition Branch, PSPC	PSPC and CCG	Contracting authority
National Shipbuilding Strategy (NSS)	PSPC, DND and Coast Guard	Implementation of the NSS
Horizontal Engineering Program Plan (HEPP)	PSPC, DND and Coast Guard	Horizontal program management, engineering and supply chain management

ADDITIONAL INFORMATION

- Basic Design Development, the second phase of construction engineering, is underway.
- Construction is expected to start in 2018

s.69(1)(g) re: (a)

Pages 282 to / à 283

are not relevant

sont non pertinentes

DATE: 2017-02-01

PROJECT TITLE: Canadian Coast Guard: Polar Icebreaker

PROJECT OBJECTIVE:

The Polar Icebreaker will replace Canada's largest and most capable heavy icebreaker, CCGS Louis S. St-Laurent (1969). The Polar Icebreaker will be a modern, multipurpose icebreaker capable of unrestricted autonomous operations in the Canadian Arctic and adjacent waters for an extended (9 month) operational season each year. The area of operation includes all Arctic Waters Pollution Prevention Act Shipping Control Zones plus all natural extensions of Canada's Exclusive Economic Zone.

PROJECT PHASE:

Definition

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, VSY was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- In November 2011, Canada awarded the design contract to VARD Marine for the Polar Icebreaker.

- In October 2013, the decision was made under the National Shipbuilding Strategy to sequence the Polar Icebreaker project as the fourth procurement to occur at VSY (following the Royal Canadian Navy's Joint Support Ship project).

- In March 2014, the final Construction Specification and Design Package was delivered. Shortly after, the final of three detailed design stages was completed by VARD Marine, including an appraisal by Lloyd's Register. VARD Marine remains engaged in ongoing design maintenance and technical risk mitigation work, albeit at a reduced pace.

KEY MILESTONES

s.69(1)(g) re: (c)

Milestone	Approved	Planned/Actual	Notes/Comments
Implementation – Contract Award		2021	s.20(1)(c) s.21(1)(b)
Implementation – Delivery		2023	
Implementation – Full Operational Capability		2024	
Project Closeout		2026	
...	s.69(1)(g) re: (c)		
...			
...			
...			

FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 800.0
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (45 years)	

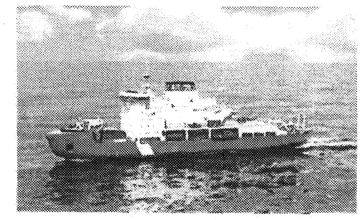
TIMELINE

...	...	...	...	...	...	...	...	...	Contract Award	...	Final Delivery	Full Operational Capabili	...	Project Closeout	...
***	***	***	***	***	***	***	***	***	▼	***	▼	▼	***	▼	***
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
***	***	***	***	***		▲	***	***	▲	***	***	***	***	***	***
						Contract Award (Construction Engineering)			Cut Steel						

s.69(1)(g) re: (c)

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

Industrial and Regional Benefits (IRB) equivalent to 100% of all contract values will be applied to this project. This information is updated annually. The Industrial and Regional Benefits Policy will be applied to the Polar Icebreaker project. In addition, the NSS Value Proposition equal to 0.05 percent of the value of the resultant contracts will apply to this procurement.

POINTS TO NOTE

s.69(1)(g) re: (c)

The 2013 sequencing decision required Coast Guard to extend the life of CCGS Louis S. St-Laurent. This vessel life extension work is being funded by the Polar Icebreaker project.

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget (Definition)			
Budget (Implentation)			s.69(1)(g) re: (c)
Human resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other	...	...	

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...	...	...	...	...
PMO Cost ($M)	...	...	...	...	...
Contingency ($M)	...	...	...	...	...
Total (by Millions)	$ 800.0 Public	$ 800.0 Public	$ 1,297.8 Public		

s.69(1)(g) re: (c)

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expended to Last Trimester
VARD Marine Inc. (Design Services Contract)	Detailed Contract Design Pkg / Const. Spec.				2015-04-12	
Vancouver Shipyards - Ancillary Task Authorization Contract (Expired 31 Mar 2016)	Task based - 9 tasks awarded			3.8 CAD Public	2015-03-01	
		... ...		... ...		...
		... ...		... ...		...
		... ...		... ...		...
		... ...		... ...		...
		... ...		... ...		...

s.69(1)(g) re: (c)

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Master Agreement for the Provision of Projects/Programs Procurement Services - via Acquisition Branch, PSPC	PSPC and CCG	Contracting Authority
National Shipbuilding Strategy (NSS)	PSPC, CCG, DND	Implementation of NSS
Horizontal Engineering Program Plan (HEPP)	PSPC, CCG, DND	Horizontal program management, engineering and supply chain management with Vancouver Shipyards.
Polar Icebreaker Project Annex No. 1 to CAN-US MOU for Cooperation in Ship Design and Construction	CCG, USCG	Information/technical exchanges to further fleet renewal objectives of both countries.

ADDITIONAL INFORMATION

s.69(1)(g) re: (a)

s.20(1)(c)

s.21(1)(b)

Pages 286 to / à 289

are not relevant

sont non pertinentes

Public Works and Government Services Canada / Travaux publics et Services gouvernementaux Canada

Canada

CONTRACT TITLE:	Arctic Offshore Patrol Ship (AOPS) and Joint Support Ship (JSS) In-service Support (AJISS)		
DATE:	February 13, 2017	PHASE:	Ongoing Operations

OBJECTIVES:

The contract consists of the provision of in-service support to the Royal Canadian Navy (RCN) for two new classes of naval ships that include the Arctic Offshore Patrol Ships (AOPS) and the Joint Support Ships (JSS).

PROCUREMENT STRATEGY:

AJISS is a competitive Request for Proposal (RFP) that used an administrative two- step evaluation process. Evaluation is based on a Technical and Relational rated criteria using the AHP methodology, (see additional information below)

ACHIEVEMENTS:

RFP closed November 8, 2016 with 4 Bids received.

The Technical and Relational Evaluation completed on 14 Dec 16, earlier than planned. Bidders' notified of ranking on 21-Dec-16. Highest Ranked Bidder invited to negotiate specific Financial Terms 21-Dec-16. Negotiations begin 18-Jan-17 and completed 8-Feb-17 (22 days later).

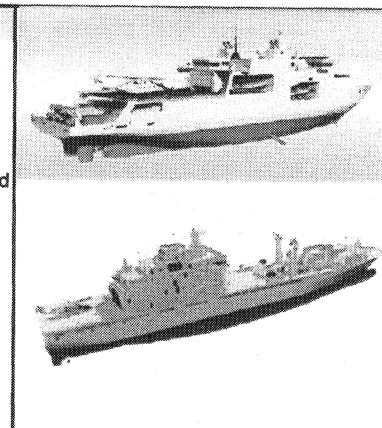
KEY MILESTONES:

Milestone	Planned	Actual	Notes/Comments
Industry Engagement		29-Oct-12	Industry Engagment went from October 2012 to June 2016.
Procurement\Sustainment Strategy A		1-Sep-16	
Request for Proposal Posted		8-Jul-16	
Request for Proposal Closed	25-Oct-16	8-Nov-16	
Evaluation Complete	16-Dec-16	14-Dec-16	
Contract Authority	4-May-17		
Contract Award	6-May-17		
Initial Operational Capability	1-Dec-19		
Full Operational Capability	1-Dec-27		
Contract Expiration	31-Mar-54		

FINANCIALS *(numbers in GREEN above have been released to the public, number in RED have not been released)*	VALUE (BY MILLIONS)	
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)		NA
Major In-Service Support Contract (over 35 years)	$	5,200.00
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)		NA
Estimated Life Expectancy (35)		

INDUSTRY ENGAGEMENT

Significant industry engagement was carried out from 2012 to 2016. Engagement included an initial Industry Day, two webinars, and five joint industry/government working group meetings which were associated with individual one-on-one meetings between interested suppliers and Canada's procurement team. *(see additional information below)*



SOCIO-ECONOMIC BENEFITS

Minimum comitment to achiving ITB's is valued at 100% of the contract value. Contractually, all work must be carried out in Canada unless the ship is deployed overseas.

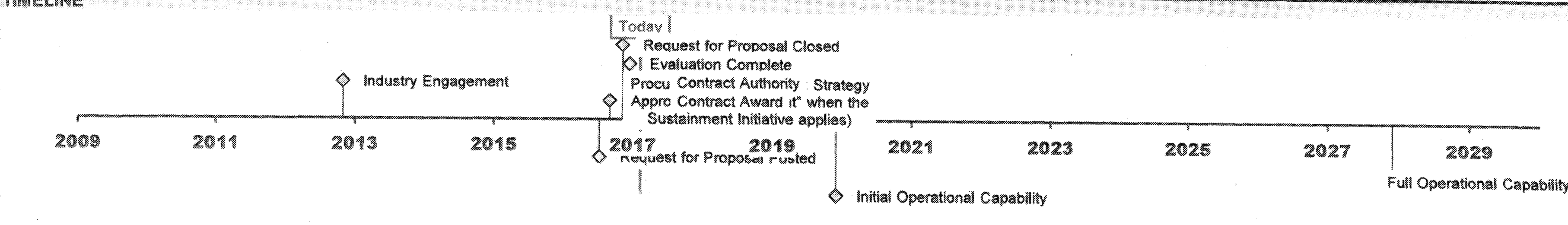
POINTS TO NOTE

The initial duration of the contract is 8 years with optional extensions for up to 35 years with a 2-year close-out period. Canada intends to maintain a rolling 5-year contract period throughout the life of these vessels by exercising optional extensions of one or more years in length.

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Human Resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other			
Other			

TIMELINE



BUDGET (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Total Cost Estimates		Expenditure Authority	
		Approval	With IRMC-Approved increases	Approved	Expended to Last Trimester
Date	*(See Additional Information)*				
Acquisition ($M)					
POM Cost ($M)					
Contingency ($M)					

Total (by Millions)					

Note: Cost numbers in GREEN above have been released to the public; number in RED have not been released.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC) (inclusive of GST/HST)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expected to Last Trimester
To be completed after Contract award TO BE AWARDED OCT 2017		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD

Note: Cost numbers in GREEN above have been released to the public; number in RED have not been released.

PLANNED POTENTIAL USE OF MOU

Name of MOU	MOU Partner	Used for
N/A		

ADDITIONAL INFORMATION

Procurement Strategy Continued: Value Proposition rated criteria and a Financial proposal of required labour categories including mark up on emergent work.

Industry Engagement Continued: The intention of this engagement was to solicit feedback from Industry during the development of the procurement strategy and solicitation documents. Industry was instrumental in the development of the RFP that is to be posted for competition.

Points of Note Continued: The exercise of an optional extensions will be at the discretion of Canada and will take into consideration contractor performance as measured through key performance indicators and operational requirements. If Canada chooses not to extend the Contract period due to poor Contractor performance indicators, as soon as, in Canada's opinion, the Contractor's performance improves . Canada may concurrently exercise an optional extension of one or more years to preserve the five-year contract period.

The approval mechanism used for AJISS was based on the Defence Procurement Strategy (DPS) utilisation of a tri departmental DG lead Governance committee with Records of decision documenting the approvals

Budget: PSPC is seeking Contracting Authority approval for AJISS. The Vote 1 Operations and Maintenance (National Procurement) funding in DND is provided through the annual integrated business planning process which includes National Procurement Oversight Committee (NPOC) governance.

PSPC Responsible DG	Matthew Crawley	PSPC Proc. Dir.:	Dave Hatherall	DND Tech. Dir.:		DND Project Mgr.:	Alanna Jorgensen

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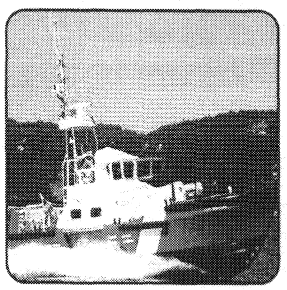
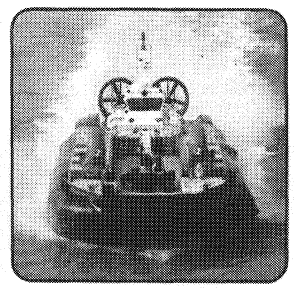
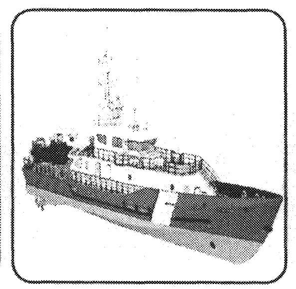
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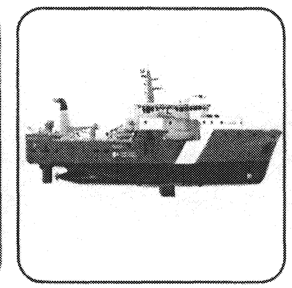
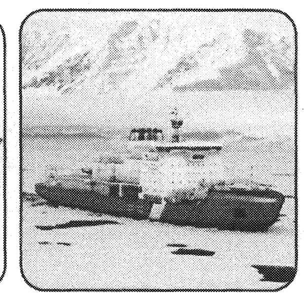
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Fisheries and Oceans Canada | Pêches et Océans Canada
Canadian Coast Guard | Garde côtière canadienne

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Confidence of the Queen's Privy Council

Safety First, Service Always

Procuring Coast Guard's Fleet for the Future

FOR INFORMATION

Deputy Minister Governance Committee – March 10, 2017

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s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

s.21(1)(a)
s.21(1)(b)

11

Status of Action Items Requested by the Deputy Minister Governance Committee

Legend:
✓ : Task completed.
(grey circle) : Item expected to be completed within 3 months of the decision.
(white circle) : Item expected to be completed between 3 and 6 months of the decision.
(dark circle) : Item expected to take more than 6 months of the Governance decision.
(oval) : Item an ongoing requirement.

Committee	Agenda Item	Action Items	Notes	OPI	Status
DMGC February 10, 2017	*OFSV-OOSV Gap Analysis Update*	1. Prepare a written outline in consultation with VSY of the problem statement, mitigation options and recommendations to DMGC. .	Progressing CCG to coordinate in advance of a special DMGC. CCG committed to preparing a paper, in consultation with VSY, which will outline the problem, the mitigation options and recommendations to DMGC.	CCG	(grey circle)
		2. Facilitate 3rd party validation of VSY costs.	Progressing. It was confirmed by ADM PSPC (AB) that no validation has been completed yet and that one will be initiated by PSPC	PSPC ADM (AB)	(grey circle)
		3. Coordinate a Special DMGC. s.69(1)(g) re: (a)	Progressing. A special DMGC on OOSV-OFSV to be arranged to reach a final decision on the way forward [redacted]	DPSS	(grey circle)

Committee	Agenda Item	Action Items	Notes	OPI	Status
	s.69(1)(g) re: (a)			DPSS and CCG	●
	Shipbuilding Costs and Premiums in Canada	Develop a Government of Canada communications approach in advance of the release of the PWC Report.	Progressing. PSPC Communications is developing responsive communication lines in advance of the release of the report.	PSPC Communications in partnership with PSPC ADM (AB)	●
		5. Leverage the Defence Analytics Institute (Avascent) to develop an educational and contextual report on the broader economic considerations of the NSS drawing on existing cost and premium analyses (including PWC report) and ongoing work from ISED on the application of the ITB policy.	Progressing. ISED is working with Avascent on the scope of a broader study. Timelines to be confirmed.	ISED	●
	Roundtable and Closing Remarks	6. NSS Annual Report to Parliament: Distribute updated report to Ministers for approval and simultaneously to DMGC members for information recognizing the potential need to table the report to Parliament before releasing to the public.	Progressing. This was shared with DMs at the end of February 2017. Next steps and timelines of approval and release to be determined.	PSPC ADM (AB) in partnership with PSPC Communications	●
DMGC January 17, 2017 (Shipyard meetings)	*Vancouver Shipyard presentation*	1. Canada to investigate options for consolidating the 114 program proposals identified by VSY.	Progressing. A plan for consolidating the 114 Proposal Programs is due to DMGC on March 10, 2017	Non-Combat Executive Governance Committee	●
		2. Inclusion of granular detail in an updated Risks/Opportunities Register that directly ties to VSY's Integrated Program Schedule and addresses actions being taken by Canada and VSY to mitigate	Progressing. Risk Management framework and DG-level risk management board endorsed at	PSPC ADM (AB); support from CCG/ADM DND	●

Committee	Agenda Item	Action Items	Notes	OPI	Status
		risks, for DM oversight.	the January 30, 2017 ADMC. First set of risks, associated mitigation and action plan to be discussed at ADMC in April and subsequently at DMGC in May 2017.		
	ISI presentation	3. Setting a firm CSC Production Date: DMs to begin a discussion on whether a firm production date could be established for CSC recognizing Canada's experience on AOPS Discussion from the current tentative schedule before the next semi-annual meeting with ISI.	Progressing. To be discussed by Governance in Summer 2017.	Combat Executive Governance Committee	◯
DMGC December 13, 2016	*Program Level Summaries (combat and non-combat) of Issues & Risks:*	1. Unpack the risks, specifically the production gap, and add timelines, mitigation options and accountabilities.	Progressing. First set of risk and associated mitigation and action plan to be discussed at ADMC in April and subsequently at DMGC in May 2017.	PSPC ADM (AB) with support from DPSS	◯
	DPS Project Status Reports	2. All departments, agencies and their respective Communications teams will work collaboratively on developing a communications strategy and protocols to communicate cost increases on major defence and CCG procurements to the public. s.69(1)(g) re: (a)	Progressing PSPC Acquisitions Branch was asked to lead the coordination of this effort and report back to DMGC in the New Year. This action item is in part being addressed by TBS' work on the NSS Costing Pilot and an NSS communications approach.	PSPC (AB) and PSPC Communications; supported by DND, CCG, and ISED [NSS portion has been subsumed into TBS work]	◯

s.21(1)(a)

s.21(1)(b)

s.23

Committee	Agenda Item	Action Items	Notes	OPI	Status
	Sole-Sourcing for Economic Benefit:			PSPC and ISED	
				TBS	
DMGC November 15, 2016	*Master Schedule*	1. DPSS will present the Master Schedule to ADMC so that the dates can be reviewed: ➢ DPSS will attribute any changes made to the Master Schedule to a source in the Change Register so that information can be verified is required. ➢ DPSS will provide additional information in the Change Register relating to the implications/consequences of items in the schedule.	Progressing. DPSS has provided additional information in the Change Register. A source will be added to the Change Register in time for DMGC in April 2017.	DPSS	
	Roundtable and Closing Remarks	2. DMGC to keep Global Affairs updated on contact with foreign governments.	Progressing. (Note: This will be an ongoing item).	All	
		3. INAC to provide update on indigenous procurement at a later date.	Progressing.	INAC	

Committee	Agenda Item	Action Items	Notes	OPI	Status
			they were fully established.		
DMGC October 14 2016	*Defence Procurement Strategy Projects Status Report*	1. NSS Program Level Risk Tracker to be developed – possibly within the Executive Summary.	Progressing Risk Management framework and DG-level risk management board endorsed at ADMC on January 30, 2017. First set of risk and associated mitigation and action plan to be discussed at ADMC in April and subsequently at DMGC in May 2017.	PSPC/NSS-PMO	● (light grey)

Legend:

✓ : Task completed.

● (light grey): Item expected to be completed within 3 months of the decision.

○ : Item expected to be completed between 3 and 6 months of the decision.

● (dark grey): Item expected to take more than 6 months of the Governance decision.

⬭ : Item an ongoing requirement.

List of Completed Deputy Minister Governance Committee Items:

DMGC February 10, 2017	*Shipbuilding Costs and Premiums in Canada*	Collate feedback from member departments and develop a proposed response from DMGC Chair to ISI on the PWC Report. Draft response will be staffed through DMO/PSPC.	Completed. The feedback was collated, and the letter was signed by DM PSPC.	✓
DMGC January 17, 2017 (Shipyard meetings)	*Vancouver Shipyard Presentation*	Analysis of OFSV/OOSV Gap: VSY to conduct and provide detailed costing of the gap based on factors of how many workers and skill sets will be affected, and when.	Completed. VSY has provided a cost of the gap and preliminary numbers of the workers affected. This was discussed at DMGC on at the February 10, 2017.	✓
	ISI Presentation	PWC Value for Canada Report: Core departments will have a working-level discussion on the report and prepare a consolidated response to ISI from Canada. Outcome of the working-level discussion and draft response will be briefed to core ADMs and DMs.	Completed.	✓
DMGC December 13, 2016	*DPS Project Status Reports*	DPS Project Status Report for iFCP - remove from DMGC oversight.	Completed. However a subsequent decision was made at ADMC on February 17, 2017 to re-add iFCP.	✓
		The new Quad Chart for services was not flagged during discussion. DM endorsement is required. This will need to be revisited at the next DMGC.	Completed.	✓
		The iAOR project level risk should be tracked at the program level due to interdependencies.	Completed. The service quad charts are now bring reported, and capture project level issues.	✓

	Master Schedule	DMs to take one final perusal of dates in the Master Schedule.	Completed. Approved after secretarial review ahead of	✓
				✓
	Semi-Annual Meeting with Shipyards:	Circulate a new agenda and set of questions to deputies.	Completed. This a circulated ahead of the shipyard meetings held on January 17, 2017.	✓
DMGC November 15, 2016	*Opening Remarks and Approval of the Summaries of Discussion*	DND to make revisions to the Shipbuilding Costs and Premiums in Canada deck and add a conclusion slide and a recommendation for moving forward	Completed. DND made changes and updates which were discussed at ADMC on January 27, 2017 and at DMGC on February 10, 2017.	✓
		DND will table the updated Shipbuilding Costs and Premiums in Canada deck for an ADMC and DMGC discussion in the near future.	Completed. DND made changes and updates which were discussed at ADMC on January 27, 2017 and at DMGC on February 10, 2017.	✓
	Defence Procurement Strategy Projects Status Report	List must be created which outlines actions to be taken by government and the shipyards for OFSV (PSPC lead, CCG to support).	Completed. Included in the Integrated Program Schedule and Risk Register.	✓
		All members need to inform their Ministers' offices on the guidance surrounding CSC engagement activities – officials are not to field any	Completed.	✓

s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

		questions or have discussions on CSC with industry or foreign governments while the CSC design RFP process is ongoing.	The RFP for CSC is currently released.	
		In advance of the next DMGC, ADMs will take the following actions; ➢ Clarify what the program issues are for OOSV; ➢ Identify what the measures are that will be taken by the Government of Canada and the shipyards; and clarify what the plan is moving forward for OOSV.	Completed. The design and production engineering contact was signed for OOSV in December 2016.	✓
	s.20(1)(c) s.21(1)(b)	PSPC to lead the creation of a brief summary, with DND to support, on the AJISS situation to explain why there is no conflict of interest issue.	Completed.	✓
		A detailed agenda with very specific items must be established for the shipyard meeting in January 2017, including but not limited to: ➢ Discussion of risk and mitigations strategies, specific to each of the yards and the Government – ADM D&M PSPC lead. Shipyards to "unpack" their concerns in general, but also specific to governance.	Completed.	✓
	Contracting Tools and Incentives for Shipbuilding s.69(1)(g) re: (a)	PSPC (supported by DND and CCG) to update deck and to realign deck and speaking points. ➢ The revised deck will be shared by PSPC for a secretarial review for approval.	Completed.	✓
		DPSS to action that the next DMGC include a discussion on Steve Brunton's paper on Incentives.	Completed. The education papers were tabled at DMGC on February 10, 2017.	✓

				✓
	Roundtable and Closing Remarks	PSPC to provide guidance to Global Affairs, and others, on industry and foreign government engagement.	Completed.	✓
DMGC October 14, 2016				✓
	NSS Annual Report to Parliament	PSPC informed members that DPSS will follow up with the respective DM offices on how the outstanding agenda items will be considered.	Completed.	✓
				✓
DMGC September 9,	*FWSAR aircraft replacement project*		Completed. The contract for FWSAR was awarded to	✓

s.21(1)(b)
s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

2016			Airbus in December 2016.	
				✓
	Build in Canada Cost benefit analysis Statement of Work			✓
DMGC August 26, 2016	*Opening Remarks and Approval of the Summaries of Discussion*	PSPC to confirm the status of Minister Foote's letter at the DMGC September 9, 2016.	Completed.	✓
				✓
				✓
	Roundtable and Closing Remarks	DPS Secretariat to issue a task to the Shipbuilding Advisor for the first 4 education papers	Completed.	✓
		A follow up meeting regarding the Rules of Engagement (RoE) is required.	Completed. This item pertains to the Shipbuilding Advisor.	✓
	Defence Procurement Strategy Projects Status Report	ADMs to look at how to present analysis on project and program risks in future briefings as well as a briefing on how schedules are set.	Completed	✓
		Follow up briefing is required on the role of Canada and ISI in the selection of the total ship design reference points.	Completed. Overtaken by events.	✓
DMGC	*CCG's SPAR Earned Value Management Report Analysis and*	The CCG will report back on VSY progress at ADMC in 3 months (October).	Completed	✓

s.21(1)(a) s.69(1)(g) re: (a)
s.21(1)(b) s.69(1)(g) re: (c)

July 29, 2016	*Recommendation on Next steps*			
Special DMGC February 5, 2016	*CCG – Fleet Recapitalization*	CCG to come to DPS Governance (Summer 2016) to explain how it will implement a regime to perform requirements reconciliation on its upcoming projects.	Completed. Linked to CCG's current RFI for Interim measures for program delivery gaps. DMGC was briefed on RFI to close interim capability gaps on July 15, 2016.	✓
Special DMGC January 14, 2016	*Hitachi Report – Discussion of Key Findings and Recommendations*	As part of the efforts to address the "mechanical" issues, DPSS will work with the Marine Sector to include program-level discussion into DPS governance meetings.	Completed	✓
DM Workshop July 2, 2015	*NSS*	Identify benchmarks to evaluate cost and competitiveness for shipbuilding. (e.g. premiums, Canada vs. other countries)	Completed	✓

Fisheries and Oceans Canada | Pêches et Océans Canada

Approved by ADM

Docket #: 2017-012-00383
Security Classification: SECRET

SCENARIO NOTE

DEPUTY MINISTERS GOVERNANCE COMMITTEE MEETING – DEFENCE PROCUREMENT STRATEGY – MAY 12, 2017

Overview

This scenario note is provided for the Deputy Ministers Governance Committee (DMGC) meeting and the in-camera session scheduled beforehand, both of which will take place on May 12, 2017, at Place du Portage, Phase 3, Tower A, 17A1 (Michael G. Nurse boardroom).

A – In Camera Meeting – Core Deputy Ministers Discussion

Core DMGC members will participate in an in-camera discussion with the Shipbuilding Advisor, Mr. Stephen Brunton, from 8:30 a.m. to 9:15 a.m.

B – DMGC Meeting

The DMGC meeting will be held from 9:15am to 11:15am. Meeting materials are provided (Tab B). The agenda for this meeting is as follows:

1. **Opening Remarks and Approval of the Summary of Discussion**
   - For Decision
   - Document provided (Tab 1)

s.69(1)(g) re: (a)

2. [redacted] (Tab 2)
3. **Consolidation of Vancouver Shipyards (VSY) Program Proposals**
   - For information (verbal update)
4. **Update from the Chair of the Independent Review Panel on Defence Acquisition (IRPDA) Update**
   - For information
   - Documents provided (Tab 4)

s.69(1)(g) re: (a)

5. [redacted] (Tab 5)
6. **DPS Governance**
   - For Discussion
   - Documents provided (Tab 6)
7. **Roundtable and Closing Remarks**
   - No documents required

2017-0XX-00XXX– Scenario Note – DMGC Meeting and In-Camera Session – May 12, 2017
Chrissy Sudjana, 998-4315, Policy Analyst / RG / RW / cs

Details and key messages are provided for issues that may be raised at the meetings.

1. Opening Remarks and Approval of Record of Decision (Tab 1)

Please refer to the documents provided.

2. (Tab 2)

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Key Messages s.69(1)(g) re: (a)

3. Consolidation of VSY Program Proposal (Tab 3)

This item will be a verbal update regarding an item that was raised during the meeting with the shipyards in January 2017.

Public Services and Procurement Canada (PSPC) has been working with the shipyard to develop general Terms of Reference and templates for business cases, and is continuing the look for streamlining opportunities. The verbal update will consist of a progress update and a plan forward.

Objective

- Receive an update on how the consolidation of VSY program proposals is progressing.
-

Key Messages

- **We heard about this several months ago as an important element in moving the current projects through faster, such as by shortening gaps.**
-

s.21(1)(a)
s.21(1)(b)

•

4. Update from the Chair of the IRPDA (Tab 4)

The Chair of IRPDA is expected to brief DMGC members on the Panel's activities and observations from the previous two years, including how the panel has been working and its priorities going forward. The last IRPDA briefing to DMGC was given in January 2016 in the context of the Canadian Surface Combatant (CSC) project.

One of the core elements of the DPS is the implementation within the Department of National Defence (DND) of an independent, third-party challenge function related to the requirements for major procurements. This new challenge function is carried out by the IRPDA, which was appointed by the Governor in Council in May 2015.
The IRPDA helps to validate the requirements for major military procurement projects and provides independent, third-party advice to the Minister of National Defence. The establishment of this panel is an important initiative to help National Defence achieve greater clarity and certainty in the initial stages of the procurement process. The panel will review and validate requirements for all projects valued over $100 million, and other select projects below this value.

Although the IRPDA is an initiative under the DPS, CCG projects are not captured under the mandate of the review panel.

Objective

- Receive an update on IRPDA's observations to date and its priorities going forward.

Key Messages

s.69(1)(g) re: (a)

5. (Tab 5)

s.69(1)(g) re: (a)

s.69(1)(g) re: (a)

6. DPS Governance

Please refer to documents provided

7. Round Table and Closing Remarks

No documents required

SECRET

DEPUTY MINISTER GOVERNANCE COMMITTEE
Friday, May 12, 2017

Regular Meeting: 9:15 AM – 11:15 AM
Place du Portage, Phase 3, Tower A1, Floor 17
Michael G. Nurse Boardroom

s.69(1)(g) re: (a)

AGENDA

	8:30 – 9:15 (45 min)	In Camera Session: (Core members only – PSPC, DND, ISED, DFO/CCG) – Substitutions require pre-approval of the Chair	Discussion	Sponsor DM(s): L. Linklater
#	**Timing**	**Agenda item** / *Supporting documents in italics*	**Purpose**	**OPI**
1	9:15 - 9:25 (10 min)	**Opening Remarks and Approval of Summary of Discussion** • *Summary of Discussion – February 10, 2017* • *Summary of Discussion – March 10, 2017*	Decision	Sponsor DM(s): **L. Linklater**
2	9:25 – 9:40 (15 min)			Sponsor DM(s): **L. Linklater** Presenter(s): **L. Campbell**
3	9:40 – 9:50 (10 min)	**Consolidation of VSY Program Proposals** • *Verbal Update*	Information	Sponsor DM(s): **L. Linklater** Presenter(s): **R. Roberts**
4	9:50 – 10:20 (30 min)	**Update from the Chair of the IRPDA** • *Presentation*	Information	Sponsor DM(s): ~~L. Linklater~~ DND Presenter(s): **L. Murray**
5	10:20 – 10:50 (30 min)			Sponsor DM(s): **L. Linklater** Presenter(s): **C. McColgan**
6	10:50 – 10:55 (5 min)	**DPS Governance** • *Open Action Items*	Information	Sponsor DM(s): **L. Linklater** Presenter(s): **C. McColgan**
7	10:55 – 11:00 (5 min)	**Roundtable and Closing Remarks** • *Update on Governance Paper*	Discussion	Sponsor DM(s): **L. Linklater**

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SUMMARY OF DISCUSSION

Deputy Minister Governance Committee

10 Mar 17

Key Points to Note:

-
- Both Canada and Australia are soliciting bids on design for similar vessel types at the same time. Should both countries select the same design, capacity to manage multiple processes in parallel may become an issue for the supplier or an opportunity for economies of scale.
-

1. OPENING REMARKS AND APPROVAL OF THE SUMMARY OF DISCUSSION

Action Items:

- DPSS to revise the 10 Feb 17 Summary of Discussion and circulate secretarially for approval with the following specific changes suggested for item #5:
  - Remove reference to "an official 'number'" and instead emphasize the need for ongoing analysis; and
  - Labour force gap should be looked at over a longer time frame with PSPC (Marine Sector) to share with Finance Canada its planned approach for looking at gaps in general.

-

DM Lemay noted that from this point forward, Associate DM Les Linklater will assume the Chair of DMGC. In welcoming members, she also noted it was the last DMGC for Associate DM John Turner and expressed her gratitude for his diligent work in supporting efforts to improve defence procurement.

s.21(1)(a)

s.21(1)(b)

s.69(1)(g) re: (c)

After reviewing the 10 Feb 17 Summary of Discussion, the Committee requested its amendment to reflect the points raised by Finance on item 5, "Shipbuilding Costs and Premiums in Canada." It will be revised and circulated for secretarial approval. It was also confirmed that IFCP would be added to the Procurement Oversight List.

2. Master Schedule

Action Items:

s.69(1)(g) re: (a)

3. FUTURE FIGHTER CAPABILITY PROJECT (FFCP) – SUPPLIER ENGAGEMENT STRATEGY

Action Items:

4. ECONOMIC IMPACTS OF THE INDUSTRIAL AND TECHNOLOGICAL BENEFITS POLICY

DMGC endorsed the ISED presentation.

Significant benefits of the ITB Policy were noted, and while key metrics are still being finalized it is clear that the indicators are positive. Canada's innovative approach was emphasized, in particular our policy framework, transparency of industry's commitments and "weighting and rating" methodology. "Banking" ITB-eligible work was also discussed and how this incentivizes earlier investment in Canada.

Specific suggestions were made to modify the presentation, including: adding comparisons to other jurisdictions, with a possible annex to support; adjusting the information in the table on slide 7; adding a slide on communications; adjusting the table on slide 10 to reflect current understanding on NSS forecast expenditures; speaking more to how policy change has led to specific benefits; and more clearly linking to innovation agenda, especially in defence sector.

5. NSS RISK MANAGEMENT PROCESS

DMGC approved the NSS risk management process.

While there was a risk management process implemented for the shipyard selection process at the beginning of the NSS (then NSPS), it did not evolve with implementation. In explaining the new NSS risk management process, it was noted that it will contribute to the achievement of the NSS "5 Point Action Plan" and enable

more strategic engagement by DMGC. The GoC should now be better able to manage risks.

Risk management will continually evolve. PSPC clarified that the focus for now is on the large ship program but that it will expand to all three NSS pillars. It was also noted that the initial program/strategy risk report is expected by May.

General support for the process was provided by the Committee but two issues, seen as manageable, were noted for DMGC to keep in mind: the need to continuously validate risk escalation from DGGC to ensure it is calibrated to DMs' interests and the importance of a shared understanding of the risks between government and the shipyards.

6. DPS PROJECT STATUS REPORT

Action Items:

- PSPC to share with TBS its communications products developed in response to a letter received from a union on AJISS.

DND, CCG and PSPC provided an update on procurements under DMGC oversight.

- AOPS: Two under build, third beginning in spring.
- CSC: RFP extended by about two months to June. It was noted that both Canada and Australia are soliciting bids on a design for comparable vessel types with similar timelines for delivery [Editorial note: Australia's vessels known as Air Warfare Destroyers AWDs]. Should both countries select the same platform, capacity of the supplier to manage multiple processes in parallel may become an issue.
- OFSV:
- OOSV:

s.20(1)(c)
s.21(1)(b)

- *OFSV/OOSV Gap*:

- JSS: Nothing significant to report (NSTR).

- AJISS: Received letter from unions on the solicitation process and role of public servants at fleet maintenance facilities. Reply pending and PSPC will share media lines with TBS. Will proceed with successful bidder: all written debriefs done with contract award expected May 4. s.69(1)(g) re: (a)

- Polar: NSTR.

- FWSAR:

- MHP: Ten helicopters delivered, one more expected very soon. Should have 15 (of 28 total) accepted by end of year. While focus has been on flying hours, great work being done on other metrics.

- iAOR: NSTR.

- CATS III: NSTR.

7. UPDATE ON CONSOLIDATION OF VSY PROGRAM PROPOSALS

Action Items:

➢ Update on Consolidation of VSY Program Proposals to be presented to next DMGC meeting (of April 2017).

Item not discussed.

8. CCG FLEET RENEWAL UPDATE

DMGC endorsed the presentation.

CCG reiterated its commitment to the NSS but noted only a portion of its fleet is covered by NSS. It noted that its primary challenge is with its large vessels, in particular the gap between the planned end of service life for some vessels and their forecast replacement.

s.21(1)(a)
s.21(1)(b)
s.23

9. DPS GOVERNANCE

Item not discussed.

10. ROUNDTABLE AND CLOSING REMARKS

ATTENDANCE

Regular Members
Public Services and Procurement Canada
Les Linklater (Chair) Associate Deputy Minister **Marie Lemay** Deputy Minister
National Defence
John Turner Senior Associate Deputy Minister
Innovation, Science and Economic Development
Kelly Gillis Associate Deputy Minister
Fisheries and Oceans
Jeffrey Hutchinson Commissioner, Canadian Coast Guard
***Ex Officio* Members**
Alison O'Leary *(for Catrina Tapley)* Privy Council Office
Vincent Ngan *(for Taki Sarantakis)* Treasury Board
Soren Halverson *(for Chris Forbes)* Finance
Brad Cline *(for Sheilagh Murphy)* Indigenous and Northern Affairs Canada
Chris Shapardanov *(for Ian Shugart)* Global Affairs Canada

Pages 338 to / à 358

are withheld pursuant to section

sont retenues en vertu de l'article

69(1)(g) re: (a)

of the Access to Information Act

de la Loi sur l’accès à l’information

Pages 359 to / à 372

are not relevant

sont non pertinentes

Pages 373 to / à 375

are withheld pursuant to section

sont retenues en vertu de l'article

69(1)(e)

of the Access to Information Act

de la Loi sur l’accès à l’information

Pages 376 to / à 391

are withheld pursuant to section

sont retenues en vertu de l'article

69(1)(g) re: (a)

of the Access to Information Act

de la Loi sur l’accès à l’information

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (May ADMC/DMGC)

s.21(1)(a) s.21(1)(b) s.69(1)(g) re: (a) s.69(1)(g) re: (c)

S e a	CAPITAL PROJECTS	Scope	Budget	Schedule (Slippage)*	Reasoning for rating & Key issues	Upcoming decisions / Action required
	Arctic and Offshore Patrol Ship (AOPS) (phase: **IMPLEMENTATION**)					
	Canadian Surface Combatant (CSC) (phase: **DEFINITION**)					
	Offshore Fisheries Science Vessel (OFSV) (phase: **IMPLEMENTATION**)			**Impacts –** One of Coast Guard's existing Offshore Fisheries Science Vessels, CCGS *Ricker*, has already been removed from		

Draft for discussion NOT for distributio

				service earlier this year.		
				Mitigations – Coast Guard is engaged in the process of chartering a vessel to complete missions originally planned for the *Ricker* until the new OFSV is delivered. The Request for Proposal seeking a suitable charter vessel was issued in March 2017.		
Offshore Oceanographic Science Vessel (OOSV) (phase: **DEFINITION**)					• Construction is expected to start in 2018.	
				Mitigations – CCGS *Hudson* is undergoing Vessel Life Extension (VLE) work to keep it in service until 2021.		

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (May ADMC/DMGC)

CAPITAL PROJECTS	Scope	Budget	Schedule (Slippage) *	Reasoning for rating & Key issues	Upcoming decisions / Action required
Joint Support Ship (JSS) (phase: **DEFINITION**)					
Polar Class Icebreaker (phase: **DEFINITION**)				(No Change)	

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (May ADMC/DMGC)

s.21(1)(a)
s.21(1)(b)
s.69(1)(g) re: (c)

					Mitigations - The impacts of the schedule delay for this project have been mitigated, as VLE work is ongoing on CCGS *Louis S. St. Laurent*, which will keep in it service until the delivery of the Polar.		
A I R	**CAPITAL PROJECTS**	**Scope**	**Budget**	**Schedule (Slippage)***		**Reasoning for rating & Key issues**	**Upcoming decisions / Action required**
	Fixed-Wing Search and Rescue (FWSAR) (phase: **IMPLEMENTATION**)						
	Future Fighter Capability Project (FFCP) (phase: **OPTIONS ANALYSIS** (schedule baseline: N/A)					(No Change)	

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	Interim Fighter Capability Project (IFCP) (phase: Definition)						
	Joint Unmanned Surv & Tgt Acq Sys (JUSTAS) (phase: **OPTIONS ANALYSIS**) (schedule baseline: N/A)						
	Maritime						

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (May ADMC/DMGC)

s.21(1)(a)
s.21(1)(b)
s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

	Helicopter Project (MHP) (phase: IMPLEMENTATION)						
L A N D	**Logistics Vehicle Modernization (LVM)** (phase: **OPTIONS ANALYSIS**) (schedule baseline: N/A)						
SERVICE PROCUREMENTS		**Scope**	**Budget**	**Schedule (Slippage)***		**• Reasoning for rating & Key issues**	**Upcoming decisions / Action required**
S E A	**AOPS / JSS In-Service Support (AJISS)**						
	Interim Auxiliary Oiler Replenishment (iAOR)						
A I R	**Contracted Airborne Training Services (CATS) III**						

***Note: Performance ratings for Budget, Schedule and Scope for project in the Option Analysis Phase are not reported.**

Annex A – Legend (MCP-IOC legend for Scope/Schedule/Budget color ratings)

To Projects / Procurements status report - Executive Summary

Area	Issue / Risk rating	Area	Issue / Risk rating
Scope	**For projects in definition / implementation:** Green – No change to the approved scope. Yellow – There are risks that will likely lead to scope change. Red – Approved scope unachievable. Return to approval authority.	**Schedule (Slippage)**	**For projects in definition:** Green – Within no more than three months (one quarter) or 110% of planned definition period whichever is greater*. Yellow – Within three to six months (one to two quarters) or 110-120% of planned definition period, or of approved re-baseline by MCP-IOC, whichever is greater*. Red – Over six months or longer than 120% of planned definition period or of approved re-baseline by MCP-IOC, whichever is greater*. **For projects in implementation:** Green – Within no more than six months (two quarters) or 110% of planned period to last major article delivery acceptance, whichever is greater*. Yellow – Within six to nine months (two to three quarters) or 110-120% of planned period to last major article delivery acceptance, or of approved re-baseline by MCP-IOC, whichever is greater*. Red – Over nine months or longer than 120% of planned period to last major article delivery acceptance, or of approved re-baseline by MCP-IOC, whichever is greater*. * Explanation for schedule colour: Consider a 90 months (e.g. definition) phase for a particular procurement – 110% of this phase is 99 months. In this case the schedule would be "yellow" between 9 months to 18 months delay vice between three to six months delay. Consider a 24 months phase (e.g. definition) for a procurement – 110% of this phase is 2.4 months. In this case the schedule would be "yellow" between three to six months. This approach to schedule performance is designed to even out (use a common denominator) the great variety of procurements' schedule.
Budget	**For projects in definition:** Green – Forecast is to remain within approved Expenditure Authority by employing no more than 50% of the approved contingency[2]. Yellow – Forecast is to remain within approved Expenditure Authority by employing more than 50% of the approved contingency[2]. Red – Forecast is to exceed approved Expenditure Authority including approved contingency[2]. **For projects in definition looking forward to implementation:** Green - Current implementation budget is anticipated to be sufficient to deliver the capability. Yellow - Current implementation budget may not be sufficient and there is a risk of capability trade-offs to remain within budget. Red - Clear indications that the current implementation budget will not be sufficient; minimum requirements may not be met. **For projects in implementation:** Green – Forecast is to remain within approved Expenditure Authority by employing no more than 50% of the approved contingency[2]. Yellow – Forecast is to remain within approved Expenditure Authority by employing more than 50% of the approved contingency[2]. Red – Forecast is to exceed approved Expenditure Authority including the approved contingency[2].		

Note 1: The schedule indicator in Yellow or Red will be turned to Green after the Project Approving Authority or Government committee, as applicable, approves a project submission with a new timeline. Between such submission approvals, the indicator in Yellow or Red cannot return to Green, while Red to Yellow is allowed.

Note 2: Refers to the portion of the approved project funding that is budgeted to allow departmental project managers some flexibility managing project risk which could result in unforeseen changes to costs, without re-engaging the project approval process.

National Defence / Défense nationale

DATE: 2017-04-12

PROJECT TITLE: Arctic and Offshore Patrol Ship (AOPS)

PROJECT OBJECTIVE: **PROJECT PHASE:** Implementation

To deliver six ice-capable offshore patrol ships that will be used by the Royal Canadian Navy to conduct sovereignty and surveillance operations in Canada's waters, including the Arctic. The Arctic and Offshore Patrol Ship project is acquiring ships, in-service support elements, jetty infrastructures in Halifax and Esquimalt as well as a berthing and fueling facility at Nanisivik, Nunavut.

PROCUREMENT STRATEGY

The National Shipbuilding Strategy selected Irving Shipbuilding Incorporated to design and build the Arctic and Offshore Patrol Ship. A separate long term In-Service Support contract to be combined with the Joint Support Ship will be awarded through a competitive process.

ACHIEVEMENTS

March 2013: Awarded the Definition contract to Irving Shipbuilding Incorporated, which consisted of 7 tasks to be progressively completed on time and under budget in October 2015. Aside from maturing the design to a production-ready state, this included acquiring long lead item information and items to support design and construction. Also completed were the production of test modules for the first ship in advance of starting full production, which allowed the shipyard workforce to test their skills with new equipment.

January 2015: The government announced the award of the Build contract for the Arctic and Offshore Patrol Ships.

September 2015: With the official cutting of steel, the lead ship in the class, the future HMCS Harry DeWolf, entered full production.

August 2016: With the official cutting of steel, the second ship in the class, the future HMCS Margaret Brooke, entered full production.

KEY MILESTONES

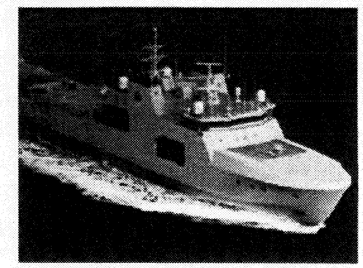
Milestone	Approved	Planned/Actual	Notes/Comments
[redacted]	[redacted]	[redacted]	
...Contract Award	[redacted]	2013-03-07	
[redacted]	[redacted]	[redacted]	
...Contract Award	[redacted]	2015-01-05	
...Cut Steel Ship 1	[redacted]	2015-09-01	
...Cut Steel Ship 2	[redacted]	2016-08-25	
...First Delivery	[redacted]	2018	
...Initial Operational Capability	[redacted]	2019	
...Full Operational Capability	[redacted]	2023	
Project Closeout	[redacted]	2024	
...			

FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	[redacted]
Major In-Service Support Contract (over 25 years)	[redacted]
Personnel, Operations and Maintenance (Dep't estimate over 25 years, excluding ISS cost)	[redacted]
Estimated Life Expectancy (25 years)	

INDUSTRY ENGAGEMENT ACTIVITIES

The National Shipbuilding Strategy's selection of the two shipyards to rebuild the fleets of the Royal Canadian Navy and the Canadian Coast Guard were applied in a comprehensive and innovative way by following principles of extensive industry consultations, along with the establishment of a strong governance structure and the involvement of independent third parties.

Irving Shipbuilding Inc., as the selected shipyard for the combat package of the National Shipbuilding Strategy, is responsible for engagements with industry. Through these engagements, the shipyard has established contracts for the sourcing of services, materials, equipment's and systems for use in the design and construction of the Arctic and Offshore Patrol Ships.



SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits (IRB) policy is being applied to the Arctic and Offshore Patrol Ship Definition and Implementation Contracts. The total IRB obligation is $2.5 billion, $537 million has been completed to-date and $1.2 billion is in progress.

Irving Shipbuilding Inc. has $12.5 million in National Shipbuilding Strategy Value Proposition obligations, with existing commitments valued at $11.1 million.

*Values as of 2016-01. Values are updated annually.

POINTS TO NOTE

Production processes, hiring of experienced shipbuilding personnel and material workflow challenges continue to affect production and for which schedule slippage is expected. Irving Shipbuilding Inc. is in the process of conducting a comprehensive schedule assessment which will confirm the overall schedule impact.

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope	[redacted]	[redacted]	
Schedule	[redacted]	[redacted]	
Budget (Definition)			
Budget (Implementation)	[redacted]	[redacted]	
Human Resources	[redacted]	[redacted]	
Procurement	[redacted]	[redacted]	
IRB/ITB/VP	[redacted]	[redacted]	
Technical	[redacted]	[redacted]	
Infrastructure	[redacted]	[redacted]	
Other	[redacted]	[redacted]	

TIMELINE

....	Contract Award	....	Contract Award	....	TODAY	....	First Delivery	Initial Operational Capability	....	....	Final Delivery	Full Operational Capability	Project Closeout	....	....
***	▼	***	▼	***	▼	***	***	***	***	***	***	***	***	***	***
2012	2013	2014	2015	2016	2017	2018	2018	2019	2020	2021	2022	2023	2024		
[redacted]	***	[redacted]	▲	▲	▲	▲	▲	▲	***	***	***	***	***	***	***
[redacted]		[redacted]	Cut Steel Ship 1 and Final Design Review	Cut Steel Ship 2 and Schedule Re-baseline	Cut Steel Ship 3	Cut Steel Ship 4	Cut Steel Ship 5	Cut Steel Ship 6							

s.20(1)(c)

s.21(1)(b)

s.69(1)(g) re: (c)

National Defence / Défense nationale

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	N/A				
PMO Cost ($M)	N/A				
Contingency ($M)	N/A				
Total (by Millions)	$ 3,534.0 Public	$ 3,534.0 Public	N/A	$ 3,534.0 Public	

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expended to Last Trimester
BMT Fleet Technology Limited	Support to PMO				2008-05-07	
Irving Shipbuilding Inc.	Ancillary Contract			9.3 CAD Public	2012-06-27	$ 9.2 CAD
Irving Shipbuilding Inc.	Definition Contract				2013-03-07	
Irving Shipbuilding Inc.	Implementation Contract				2015-01-05	
		... ...		... ...		...
		... ...		... ...		...
		... ...		... ...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Through the DND Mercury Global Project - Joint Production, Operations and Support of Wideband Global Satellite Communications	Department of National Defense of Canada; Ministry of Defense of the Kingdom of Denmark; Minister of Defense of the Grand Duchy of Luxembourg; Minister of Defense of the Kingdom of the Netherlands; the New Zealand Defense Force; The Department of Defense of the United States of America	Certification of Wideband Global Satellite Systems that will be used on the Arctic and Offshore Patrol Ships.

ADDITIONAL INFORMATION

Definition Contract: All tasks under the Definition Contract have been technically completed. The Definition Contract will be closed once contract close-out activities are completed. The Definition Contract is expected to remain under budget.

Pages 401 to / à 402

are not relevant

sont non pertinentes

s.20(1)(c)
s.21(1)(b)
s.69(1)(g) re: (c)

DATE: 2017-04-01

PROJECT TITLE: Canadian Coast Guard: Offshore Fisheries Science Vessels

PROJECT OBJECTIVE:

The Canadian Coast Guard is procuring three new Offshore Fisheries Science Vessels (OFSV) to replace CCGS W.E. Ricker (1978), CCGS Alfred Needler (1982) and CCGS Teleost (1988) as the primary offshore fisheries science platform for Fisheries and Oceans Canada Science and the Government of Canada in the following operational areas: North Atlantic, including the Gulf of St. Lawrence and the Labrador Sea; North Pacific; and Davis Strait and Baffin Bay.

PROJECT PHASE:

Implementation

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, Vancouver Shipyards (VSY) was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

Further milestone dates are found below, in key milestones.
- In October 2010, Canada awarded a design contract to STX Canada Marine Inc. (company was later acquired by VARD Marine). Design was completed in February 2012.
- In October 2012, Canada entered into contract with VSY in order for the shipyard to identify commonality in engineering and construction work items including structure, equipment, systems and components in the OFSV and Offshore Oceanographic Science Vessel design packages, with the goal of realizing efficiencies and reducing any potential redundant efforts.
- In February 2013, Canada entered into a contract for construction engineering with VSY to commence necessary pre-construction activities. Engineering work commenced March 2013.
- In January 2014, the procurement of long-lead items and material contract was signed with VSY enabling the yard to initiate discussion with potential suppliers and to purchase required material and equipment.
- The shipbuilding contract award signed with VSY on June 18, 2015. Work commenced the following day of the first OFSV. Construction commenced for the second OFSV in March 2016 and on the third OFSV in February 2017.
- Construction engineering was completed on January 25, 2017.

KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
Implementation – Contract Award		June 18, 2015	
Implementation – Delivery (First OFSV)		Feb 2018	
Implementation – Initial Operational Capabili		Spring 2018	
Implementation – Final Delivery		2019	
Implementation – Full Operational Capability		2019	
Project Closeout		2021	

FINANCIALS

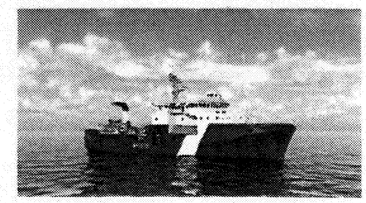
FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 887.0
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (30 years **)**	

TIMELINE

...	...	...	...	...	...	...	Contract Award	...	...	First Delivery	Final Delivery	...	Project Closeout	...	...
***	***	***	***	***	***	***	▼	***	***	▼	▼	***	▼	***	***
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
***	***	▲	***	▲	▲	▲	▲	▲	▲	▲	▲	***	***	***	***
		Contract Award (Design)		Contract Award (Commonality Study)	Contract Award (Construction Engineering)	Contract Award (Long-Lead Items/Material)	Cut Steel OFSV 1	Cut Steel OFSV 2	Cut Steel (OFSV #3)	Delivery of OFSV #2	Full Operational Capability				

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits (IRB) Policy was applied to contracts, including Construction Engineering, Initial Block, Long Lead Items, and Construction contracts. The total IRB obligation for the OFSV project is currently $496M, with $30M completed to date and $165M in progress. VSY has $2.5 million in NSS Value Proposition obligations, with existing commitments valued at $4.2 million. * Values are updated annually.

POINTS TO NOTE

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget (Definition)			
Budget (Implentation)			
Human resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other	...	...	

s.69(1)(g) re: (a)

s.69(1)(g) re: (c)

s.20(1)(c)

s.21(1)(b)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...				
PMO Cost ($M)	...				
Contingency ($M)	...				
Total (by Millions)	$ 687.0 Public	$ 687.0 Public	...	$ 687.0 Public	

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expended to Last Trimester
Vancouver Shipyards Co. Ltd.	Construction Engineering				2013-02-21	
	Shipbuilding				2015-06-29	
	Long Lead Items				2014-01-29	
	Initial Block				2013-10-02	
		... ...		... ...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
MOU between Acquisitions Branch (PSPC) and CCG	PSPC and CCG	Contracting Authority
NSS Secretariat	PSPC, DND, CCG	Implementation of NSS
Horizontal Engineering Program Planning	PSPC, DND, CCG	Horizontal program management, engineering and supply chain management

ADDITIONAL INFORMATION

s.20(1)(c)
s.21(1)(b)

s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

DATE: 2017-04-01

PROJECT TITLE: Canadian Coast Guard - Offshore Oceanographic Science Vessel

PROJECT OBJECTIVE:

The Canadian Coast Guard is procuring an Offshore Oceanographic Science Vessel (Oceanographic Vessel) to replace CCGS Hudson (1963), its oldest and largest science vessel. The proposed replacement is expected to provide capabilities similar to those of CCGS Hudson acting as the primary offshore oceanographic science platform for Fisheries and Oceans Canada Science and the Government of Canada. The vessel will function in the following operational areas: Atlantic, year round; Arctic summer operations; and Gulf of St. Lawrence year round.

PROJECT PHASE:

Definition

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, Vancouver Shipyards Co. Ltd. (VSY) was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- In October 2010, Canada awarded a design contract to STX Canada Marine Inc. (company was later acquired by VARD Marine). The Coast Guard accepted the design package in November 2011.

- In October 2012, Canada entered into contract with VSY in order for the shipyard to identify commonality in engineering and construction work items including structure, equipment, systems and components in the OFSV and OOSV design packages, with the goal of realizing efficiencies and reducing any potential redundant efforts.

- In November 2015, Canada awarded a Construction Engineering (CE) contract to VSY to undertake work necessary for construction of the Oceanographic Vessel. The work for Basic Design Assessment (BDA) is completed. Progress continues to be made on the BDA phase closure report. Option 1 of the CE contract - Basic Design Development (BDD) - has been exercised in December 2016 with work commencing effective November 2016.

- Since February 2016, a Long Lead Item / material contract is also in place for VSY to initiate early discussions with potential suppliers and to purchase material and equipment to build the Oceanographic Vessel.

KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
[redacted]	[redacted]	[redacted]	[redacted]
Implementation – Contract Award	[redacted]	Summer 2018	
Implementation – Delivery	[redacted]	2020	
Implementation – Full Operational Capability	[redacted]	2021	
Project Closeout	[redacted]	2023	

FINANCIALS

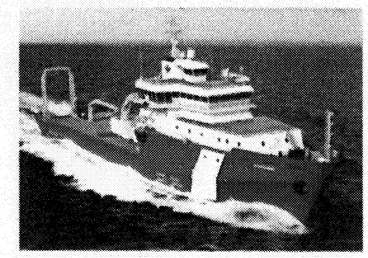
FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 144.4
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (30 years)	

TIMELINE

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
...	...	...	...	...	...	...	Contract Amendment	Contract Award	...	Final Delivery	Full Operational Capabili	...	Project Closeout	...	...
Contract award (design)	...	Contract award (commonality study)	...	...	Contract award (construction engineering)	Contract Award (Long-lead items)	...	Cut steel	...	...	...	...	...	...	...

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits Policy will be applied to the OOSV contract, including Construction and Engineering (CE), and Long-Lead Items (LLI) contracts. The total of value IRB obligations to date is $7.3M. In addition, the NSS Value Proposition equal to 0.05 percent of the value of the resultant contract applies to this procurement.

POINTS TO NOTE

N/A

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope	[redacted]	[redacted]	[redacted]
Schedule	[redacted]	[redacted]	[redacted]
Budget (Definition)	[redacted]	[redacted]	[redacted]
Budget (Implentation)	[redacted]	[redacted]	[redacted]
Human resources	[redacted]	[redacted]	
Procurement	[redacted]	[redacted]	
IRB/ITB/VP	[redacted]	[redacted]	
Technical	[redacted]	[redacted]	
Infrastructure	[redacted]	[redacted]	
Other	[redacted]	[redacted]	

s.20(1)(c)
s.21(1)(b)

s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...				
PMO Cost ($M)	...				
Contingency ($M)	...				
Total (by Millions)	...	$ 144.4 Public	...		

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority			Contract Information			
		Value (by Millions)		Approval Date	Value (by Millions)		Contract Date	Expended to Last Trimester
Seaspan's Vancouver Shipyards Co. Ltd.	Ancillary Task-based				2.8 CAD	Public	2014-08-14	
VARD Marine	Ancillary Task-based				1.2 CAD	Public	2014-06-22	
Seaspan's Vancouver Shipyards Co. Ltd.	Construction Engineering				36.5 CAD	Public	2015-11-15	
Seaspan's Vancouver Shipyards Co. Ltd.	Long Lead Items and Material				2.0 CAD	Public	2016-02-23	
					...	...		
		...	...		...	...		
		...	...		...	...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Master Agreement for the Provision of Projects/Programs Procurement Services - via Acquisition Branch, PSPC	PSPC and CCG	Contracting authority
National Shipbuilding Strategy (NSS)	PSPC, DND and Coast Guard	Implementation of the NSS
Horizontal Engineering Program Plan (HEPP)	PSPC, DND and Coast Guard	Horizontal program management, engineering and supply chain management

ADDITIONAL INFORMATION

- Basic Design Development, the second phase of construction engineering, is underway.
- Construction is expected to start in 2018

Pages 407 to / à 408

are not relevant

sont non pertinentes

s.20(1)(c)
s.21(1)(b)

s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

DATE: 2017-04-01

PROJECT TITLE: Canadian Coast Guard: Polar Icebreaker

PROJECT OBJECTIVE:

The Polar Icebreaker will replace Canada's largest and most capable heavy icebreaker, CCGS Louis S. St-Laurent (1969). The Polar Icebreaker will be a modern, multipurpose icebreaker capable of unrestricted autonomous operations in the Canadian Arctic and adjacent waters for an extended (9 month) operational season each year. The area of operation includes all Arctic Waters Pollution Prevention Act Shipping Control Zones plus all natural extensions of Canada's Exclusive Economic Zone.

PROJECT PHASE: Definition

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, VSY was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- In November 2011, Canada awarded the design contract to VARD Marine for the Polar Icebreaker.

- In October 2013, the decision was made under the National Shipbuilding Strategy to sequence the Polar Icebreaker project as the fourth procurement to occur at VSY (following the Royal Canadian Navy's Joint Support Ship project).

- In March 2014, the final Construction Specification and Design Package was delivered. Shortly after, the final of three detailed design stages was completed by VARD Marine, including an appraisal by Lloyd's Register. VARD Marine remains engaged in ongoing design maintenance and technical risk mitigation work, albeit at a reduced pace.

KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
[redacted]		[redacted]	[redacted]
Implementation – Contract Award	[redacted]	2021	
Implementation – Delivery	[redacted]	2023	
Implementation – Full Operational Capability	[redacted]	2024	
Project Closeout	[redacted]	2026	
...			
...			
...			
...			

FINANCIALS

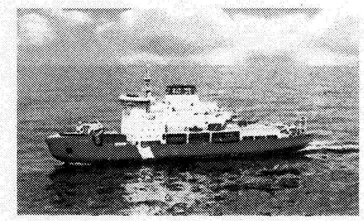
	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 800.0
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (45 years)	

TIMELINE

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
...	...	...	...	...	...	...	...	...	Contract Award ▼	...	Final Delivery ▼	Full Operational Capabili ▼	...	Project Closeout ▼	...
...	...	...	...	...	[redacted]	▲ Contract Award (Construction Engineering)	...	...	▲ Cut Steel	...	...	...	...	...	...

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

Industrial and Regional Benefits (IRB) equivalent to 100% of all contract values will be applied to this project. This information is updated annually. The Industrial and Regional Benefits Policy will be applied to the Polar Icebreaker project. In addition, the NSS Value Proposition equal to 0.05 percent of the value of the resultant contracts will apply to this procurement.

POINTS TO NOTE

[redacted] The 2013 sequencing decision required Coast Guard to extend the life of CCGS Louis S. St-Laurent. This vessel life extension work is being funded by the Polar Icebreaker project.

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope	[redacted]	[redacted]	[redacted]
Schedule	[redacted]	[redacted]	[redacted]
Budget (Definition)	[redacted]	[redacted]	
Budget (Implentation)	[redacted]	[redacted]	
Human resources	[redacted]	[redacted]	
Procurement	[redacted]	[redacted]	
IRB/ITB/VP	[redacted]	[redacted]	
Technical	[redacted]	[redacted]	
Infrastructure	[redacted]	[redacted]	
Other	[redacted]	[redacted]	

s.69(1)(g) re: (a)

s.69(1)(g) re: (c)

s.20(1)(c)
s.21(1)(b)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...	...	...	...	...
PMO Cost ($M)	...	...	...	...	...
Contingency ($M)	...	...	...	...	...
Total (by Millions)	$ 800.0 Public	$ 800.0 Public	$ 1,297.8 Public		

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority			Contract Information			
		Value (by Millions)		Approval Date	Value (by Millions)		Contract Date	Expended to Last Trimester
VARD Marine Inc. (Design Services Contract)	Detailed Contract Design Pkg / Const. Spec.						2015-04-12	
Vancouver Shipyards - Ancillary Task Authorization Contract (Expired 31 Mar 2016)	Task based - 9 tasks awarded				3.8 CAD	Public	2015-03-01	
		...	...		...	...		...
		...	...		...	...		...
		...	...		...	...		...
		...	...		...	...		...
		...	...		...	...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Master Agreement for the Provision of Projects/Programs Procurement Services - via Acquisition Branch, PSPC	PSPC and CCG	Contracting Authority
National Shipbuilding Strategy (NSS)	PSPC, CCG, DND	Implementation of NSS
Horizontal Engineering Program Plan (HEPP)	PSPC, CCG, DND	Horizontal program management, engineering and supply chain management with Vancouver Shipyards.
Polar Icebreaker Project Annex No. 1 to CAN-US MOU for Cooperation in Ship Design and Construction	CCG, USCG	Information/technical exchanges to further fleet renewal objectives of both countries.

ADDITIONAL INFORMATION

Pages 411 to / à 416

are not relevant

sont non pertinentes

Public Works and Government Services Canada | Travaux publics et Services gouvernementaux Canada

Canada

CONTRACT TITLE: Arctic Offshore Patrol Ship (AOPS) and Joint Support Ship (JSS) In-service Support (AJISS)

DATE: April 13, 2017 **PHASE:** Ongoing Operations

OBJECTIVES:

The contract consists of the provision of in-service support to the Royal Canadian Navy (RCN) for two new classes of naval ships that include the Arctic Offshore Patrol Ships (AOPS) and the Joint Support Ships (JSS).

PROCUREMENT STRATEGY:

AJISS is a competitive procurement strategy based upon extensive industry engagement and market analysis, resulting in four bidders and contract award to highest overall scoring compliant bidder.

ACHIEVEMENTS:

Extensive industry engagement, competitive procurement resulting in several bids and award of contract to bidder with highest overall score. Important pillar of National Shipbuilding Strategy, ensuring diversification of supply chain, growth of marine industry in Canada.

KEY MILESTONES:

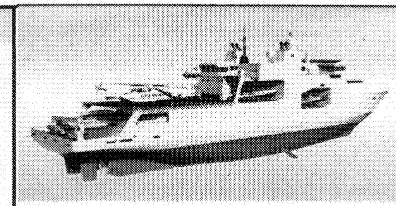
Milestone	Planned	Actual	Notes/Comments
Industry Engagement		29-Oct-12	Industry Engagment went from October 2012 to June 2016.
Procurement\Sustainment Strategy A		NA	
Request for Proposal Posted		8-Jul-16	
Request for Proposal Closed		8-Nov-16	
Evaluation Complete	16-Dec-16	14-Dec-16	
Contract Authority	11-May-17		
Contract Award	8-Jun-17		
Initial Operational Capability	1-Dec-19		
Full Operational Capability	1-Dec-27		
Option 1	1-May-20		
Option 2	1-May-25		
Contract Expiration	1-Dec-51		

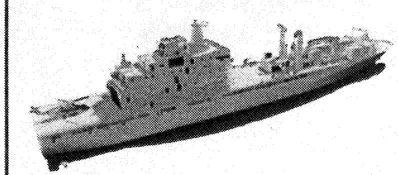
FINANCIALS *(numbers in GREEN above have been released to the public; number in RED have not been released)* **VALUE (BY MILLIONS)**

Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	NA
Major In-Service Support Contract (over 37 years)	$ 5,200.00
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	NA
Estimated Life Expectancy (35)	

INDUSTRY ENGAGEMENT

Significant industry engagement was carried out from 2012 to 2016. Engagement included an initial Industry Day, two webinars, and five joint industry/government working group meetings which were associated with individual one-on-one meetings between interested suppliers and Canada's procurement team. *(see additional information below)*





SOCIO-ECONOMIC BENEFITS

The Industrial and Technological Benefits Policy, including Value Proposition, will apply to this procurement. The successful bidder will be required to provide benefits to Canada equal to the value of the contract. (see additional information below)

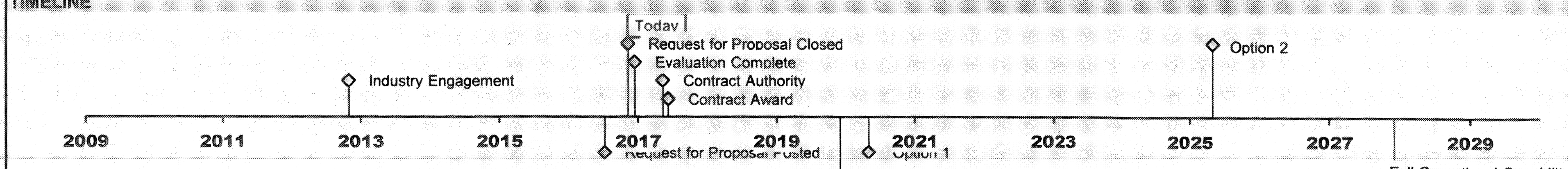
POINTS TO NOTE

The initial duration of the contract is 8 years with optional extensions for up to 35 years plus a 2 year close-out period for a maximum duration of 37 years. Canada intends to maintain a rolling 5-year contract period throughout the life of these vessels by exercising optional extensions of one or more years in

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget			
Human Resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other			
Other			

TIMELINE



◇ Initial Operational Capability

BUDGET (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Total Cost Estimates		Expenditure Authority	
		Approval	With IRMC-Approved increases	Approved	Expended to Last Trimester
Date	*(See Additional Information)*				
Acquisition ($M)					
POM Cost ($M)					
Contingency ($M)					
Total (by Millions)					

Note: Cost numbers in GREEN above have been released to the public; number in RED have not been released.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC) (inclusive of GST/HST)

Contractor	Deliverable	Approved Contracting Authority		Contract Information		
		Value (by Millions)	Approval Date	Value (by Millions)	Contract Date	Expected to Last Trimester
To be completed after Contract award TO BE AWARDED OCT 2017		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD
		CAD		CAD		CAD

Note: Cost numbers in GREEN above have been released to the public; number in RED have not been released.

PLANNED POTENTIAL USE OF MOU

Name of MOU	MOU Partner	Used for
N/A		

ADDITIONAL INFORMATION

Procurement Strategy Continued: Value Proposition rated criteria and a Financial proposal of required labour categories including mark up on emergent work.

Industry Engagement Continued: The intention of this engagement was to solicit feedback from Industry during the development of the procurement strategy and solicitation documents. Industry was instrumental in the development of the RFP that is to be posted for competition.

Points of Note Continued: The exercise of an optional extensions will be at the discretion of Canada and will take into consideration contractor performance as measured through key performance indicators and operational requirements. If Canada chooses not to extend the Contract period due to poor Contractor performance indicators, as soon as, in Canada's opinion, the Contractor's performance improves , Canada may concurrently exercise an optional extension of one or more years to preserve the five-year contract period.

The approval mechanism used for AJISS was based on the Defence Procurement Strategy (DPS) utilisation of a tri departmental DG lead Governance committee with Records of decision documenting the approvals

Financials Continued: T

Budget: PSPC is seeking Contracting Authority approval for AJISS. The Vote 1 Operations and Maintenance (National Procurement) funding in DND is provided through the annual integrated business planning process which includes National Procurement Oversight Committee (NPOC) governance.

SOCIO-ECONOMIC BENEFITS The Value Proposition aims to support Canada's growth of existing and nascent industrial capabilities within the marine in-service sector. To achieve this objective, bidders were asked to commit to a high percentage of work activities in Canada related to the project, maximize the involvement of Canadian-based suppliers, invest in the development of a highly-trained and skilled marine in-service workforce, and invest in innovation.

PSPC Responsible DG	Matthew Crawley	PSPC Proc. Dir.:	Dave Hatherall	DND Tech. Dir.:		DND Project Mgr.:	Alanna Jorgensen

Pages 419 to / à 422

are not relevant

sont non pertinentes

Status of Action Items Requested by the Deputy Minister Governance Committee

Legend:
✓ : Task completed.
● (grey) : Item is progressing and is expected to be completed within established deadlines.
○ : Item is delayed and expected to be completed within 3 months beyond the original established deadline.
● (dark) : Item is delayed and expected to be completed beyond 3 months of the original established deadline. There is a risk of non-completion.
⬭ : Item is an ongoing requirement.

Committee	Agenda Item	Action Items	Notes	OPI	Status
DMGC March 10, 2017	*DPS Project Status Report*	PSPC to share with TBS its communications products developed in response to a letter received from a union on AJISS.	Progressing. Item is on-track.	PSPC	● (grey)
	Update on Consolidation of VSY Program Proposals	Update on Consolidation of VSY Program Proposals to be presented to next DMGC meeting (of April 2017).	Progressing. This item is on the agenda and will be considered completed when it is presented to DMGC on April 28, 2017.	PSPC/CCG	● (grey)
DMGC February 10, 2017	*OFSV-OOSV Gap Analysis Update*	Prepare a written outline in consultation with VSY of the problem statement, mitigation options and recommendations to DMGC.	Progressing. NSS PMO is now the lead and is preparing a BN/update for the DMA PSPC and will circulate to core DMs when it is completed.	PSPC ADM (AB)/ NSS PMO	● (grey)
		Facilitate 3rd party validation of VSY costs.	Progressing. It was confirmed by ADM PSPC (AB) that no validation has been completed yet and that one will be initiated by PSPC.	PSPC ADM (AB)	● (grey)

Committee	Agenda Item	Action Items	Notes	OPI	Status
		s.69(1)(g) re: (a)			
				PSPC ADM (AB)	●
	Shipbuilding Costs and Premiums in Canada	Develop a Government of Canada communications approach in advance of the release of the PWC Report.	Completed. PSPC Communications is developing responsive communication lines in advance of the release of the report.	PSPC Communications in partnership with PSPC ADM (AB)	
		Leverage the Defence Analytics Institute (Avascent) to develop an educational and contextual report on the broader economic considerations of the NSS drawing on existing cost and premium analyses (including PWC report) and ongoing work from ISED on the application of the ITB policy.	Progressing. ISED is working with Avascent on the scope of a broader study. Timelines to be confirmed.	ISED	●
DMGC January 17, 2017 (Shipyard meetings)	*Vancouver Shipyard presentation*	Canada to investigate options for consolidating the 114 program proposals identified by VSY.	Progressing. An updated proposal for consolidating the 114 Proposal Programs will be presented to DMGC on April 28, 2017, however this meeting was cancelled. It will now be presented on May 12, 2017. Once this presentation has taken place this item will be considered completed.	Non-Combat Executive Governance Committee	●
		Inclusion of granular detail in an updated Risks/Opportunities Register that directly ties to VSY's Integrated Program Schedule and addresses actions being taken by Canada and VSY to mitigate risks, for	Progressing. Risk Management framework and DG-	PSPC ADM (AB); support from CCG/ADM DND	●

Committee	Agenda Item	Action Items	Notes	OPI	Status
		DM oversight.	level risk management board endorsed at the January 30, 2017 ADMC. First set of risks, associated mitigation and action plan discussed at ADMC in April at DMGC in June 2017.		
	ISI presentation	Setting a firm CSC Production Date: DMs to begin a discussion on whether a firm production date could be established for CSC recognizing Canada's experience on AOPS Discussion from the current tentative schedule before the next semi-annual meeting with ISI.	Progressing. To be discussed by Governance in Summer 2017.	Combat Executive Governance Committee	●
DMGC December 13, 2016	*Program Level Summaries (combat and non-combat) of Issues & Risks:*	Unpack the risks, specifically the production gap, and add timelines, mitigation options and accountabilities.	Progressing. First set of risk and associated mitigation and action plan discussed at ADMC in April and at DMGC in June 2017.	PSPC ADM (AB) with support from DPSS	●
	DPS Project Status Reports	All departments, agencies and their respective Communications teams will work collaboratively on developing a communications strategy and protocols to communicate cost increases on major defence and CCG procurements to the public. s.69(1)(g) re: (a)	Progressing. PSPC Acquisitions Branch was asked to lead the coordination of this effort and report back to DMGC in the New Year. This action item is in part being addressed by TBS' work on the NSS Costing Pilot and an NSS communications approach.	PSPC (AB) and PSPC Communications; supported by DND, CCG, and ISED [NSS portion has been subsumed into TBS work]	●

Committee	Agenda Item	Action Items	Notes	OPI	Status
DMGC November 15, 2016	*Master Schedule*	DPSS will present the Master Schedule to ADMC so that the dates can be reviewed: ➢ DPSS will attribute any changes made to the Master Schedule to a source in the Change Register so that information can be verified is required. ➢ DPSS will provide additional information in the Change Register relating to the implications/consequences of items in the schedule.	Progressing. DPSS has provided additional information in the Change Register. A source will be added to the Change Register in time for DMGC in May 2017. This item will be considered completed following the walkthrough at DMGC on May 12, 2017.	DPSS	●
	Roundtable and Closing Remarks	DMGC to keep Global Affairs updated on contact with foreign governments.	Progressing. (Note: This will be an ongoing item).	All	○
		INAC to provide update on indigenous procurement at a later date.	Progressing. [redacted]	INAC	●
DMGC October 14 2016	*Defence Procurement Strategy Projects Status Report*	NSS Program Level Risk Tracker to be developed – possibly within the Executive Summary.	Progressing. Risk Management framework and DG-level risk management board endorsed at ADMC on January 30, 2017. First set of risk and associated mitigation and action plan discussed at ADMC on April 21, 2017.	PSPC/NSS-PMO	●

s.21(1)(b)

Committee	Agenda Item	Action Items	Notes	OPI	Status
			ADMC asked that the item return prior to be presented to DMGC in June 2017.		

Legend:

✓ : Task completed.

● : Item is progressing and is expected to be completed within established deadlines.

○ : Item is delayed and expected to be completed within 3 months beyond the original established deadline.

● : Item is delayed and expected to be completed beyond 3 months of the original established deadline. There is a risk of non-completion.

⬭ : Item is an ongoing requirement.

List of Completed Deputy Minister Governance Committee Items:

Committee	Agenda Item	Action Items	Notes	Status
DMGC March 10, 2017	*Opening Remarks and Approval of the Summary of Discussion*	DPSS to revise the 10 Feb 17 Summary of Discussion and circulate secretarially for approval with the following specific changes suggested for item #5: ➢ Remove reference to "an official 'number'" and instead emphasize the need for ongoing analysis; and ➢ Labour force gap should be looked at over a longer time frame with PSPC (Marine Sector) to share with Finance Canada its planned approach for looking at gaps in general.	Completed.	✓
	Future Fighter Capability Project (FFCP) – Supplier Engagement Strategy			✓
s.69(1)(g) re: (a) s.69(1)(g) re: (c)				✓
				✓
DMGC February 10, 2017	*Shipbuilding Costs and Premiums in Canada*	Collate feedback from member departments and develop a proposed response from DMGC Chair to ISI on the PWC Report. Draft response will be staffed through DMO/PSPC.	Completed. The feedback was collated, and the letter was signed by DM PSPC.	✓
	OFSV-OOSV Gap Analysis Update	Coordinate a Special DMGC.	Completed.	✓

s.21(1)(a)
s.21(1)(b)

	Roundtable and Closing Remarks s.69(1)(g) re: (a) s.69(1)(g) re: (c)			✓
DMGC January 17, 2017 (Shipyard meetings)	*Vancouver Shipyard Presentation*	Analysis of OFSV/OOSV Gap: VSY to conduct and provide detailed costing of the gap based on factors of how many workers and skill sets will be affected, and when.	Completed. VSY has provided a cost of the gap and preliminary numbers of the workers affected. This was discussed at DMGC on at the February 10, 2017.	✓
	ISI Presentation	PWC Value for Canada Report: Core departments will have a working-level discussion on the report and prepare a consolidated response to ISI from Canada. Outcome of the working-level discussion and draft response will be briefed to core ADMs and DMs.	Completed.	✓
DMGC December 13, 2016	*DPS Project Status Reports*	DPS Project Status Report for iFCP - remove from DMGC oversight.	Completed. However a subsequent decision was made at ADMC on February 17, 2017 to re-add iFCP.	✓
		The new Quad Chart for services was not flagged during discussion. DM endorsement is required. This will need to be revisited at the next DMGC.	Completed.	✓
		The iAOR project level risk should be tracked at the program level due to interdependencies.	Completed. The service quad charts are now bring reported, and capture project level issues.	✓
	Master Schedule	DMs to take one final perusal of dates in the Master Schedule.	Completed. Approved after a secretarial review ahead of	✓

	s.69(1)(g) re: (c)	s.69(1)(g) re: (a)		✓
	Semi-Annual Meeting with Shipyards:	Circulate a new agenda and set of questions to deputies.	Completed. This a circulated ahead of the shipyard meetings held on January 17, 2017.	✓
	Sole-Sourcing for Economic Benefit	s.69(1)(g) re: (c)		✓
				✓
DMGC November 15, 2016	*Opening Remarks and Approval of the Summaries of Discussion*	DND to make revisions to the Shipbuilding Costs and Premiums in Canada deck and add a conclusion slide and a recommendation for moving forward	Completed. DND made changes and updates which were discussed at ADMC on January 27, 2017 and at DMGC on February 10, 2017.	✓

s.21(1)(a)
s.21(1)(b)
s.23

		DND will table the updated Shipbuilding Costs and Premiums in Canada deck for an ADMC and DMGC discussion in the near future.	Completed. DND made changes and updates which were discussed at ADMC on January 27, 2017 and at DMGC on February 10, 2017.	✓
	Defence Procurement Strategy Projects Status Report	List must be created which outlines actions to be taken by government and the shipyards for OFSV (PSPC lead, CCG to support).	Completed. Included in the Integrated Program Schedule and Risk Register.	✓
		All members need to inform their Ministers' offices on the guidance surrounding CSC engagement activities – officials are not to field any questions or have discussions on CSC with industry or foreign governments while the CSC design RFP process is ongoing.	Completed. The RFP for CSC is currently released.	✓
		In advance of the next DMGC, ADMs will take the following actions; ➢ Clarify what the program issues are for OOSV; ➢ Identify what the measures are that will be taken by the Government of Canada and the shipyards; and clarify what the plan is moving forward for OOSV.	Completed. The design and production engineering contact was signed for OOSV in December 2016.	✓
s.20(1)(c) s.21(1)(b)		PSPC to lead the creation of a brief summary, with DND to support, on the AJISS situation to explain why there is no conflict of interest issue.	Completed.	✓
		A detailed agenda with very specific items must be established for the shipyard meeting in January 2017, including but not limited to: ➢ Discussion of risk and mitigations strategies, specific to each of the yards and the Government – ADM D&M PSPC lead. Shipyards to "unpack" their concerns in general, but also specific to governance.	Completed.	✓

	Contracting Tools and Incentives for Shipbuilding	PSPC (supported by DND and CCG) to update deck and to realign deck and speaking points. ➢ The revised deck will be shared by PSPC for a secretarial review for approval.	Completed. s.69(1)(g) re: (a)	✓
	s.69(1)(g) re: (a)	DPSS to action that the next DMGC include a discussion on Steve Brunton's paper on Incentives. s.69(1)(g) re: (c)	Completed. The education papers were tabled at DMGC on February 10, 2017.	✓
				✓
	Roundtable and Closing Remarks	PSPC to provide guidance to Global Affairs, and others, on industry and foreign government engagement.	Completed.	✓
s.69(1)(g) re: (c) **DMGC October 14, 2016** s.69(1)(g) re: (c)				✓
	NSS Annual Report to Parliament	PSPC informed members that DPSS will follow up with the respective DM offices on how the outstanding agenda items will be considered.	Completed.	✓
				✓

s.69(1)(g) re: (a) s.69(1)(g) re: (c)

DMGC September 9, 2016	*FWSAR aircraft replacement project*		Completed. The contract for FWSAR was awarded to Airbus in December 2016.	✓
				✓
	Build in Canada Cost benefit analysis Statement of Work			✓
DMGC August 26, 2016	*Opening Remarks and Approval of the Summaries of Discussion*	PSPC to confirm the status of Minister Foote's letter at the DMGC September 9, 2016.	Completed.	✓
				✓
				✓
	Roundtable and Closing Remarks	DPS Secretariat to issue a task to the Shipbuilding Advisor for the first 4 education papers	Completed.	✓
		A follow up meeting regarding the Rules of Engagement (RoE) is required.	Completed. This item pertains to the Shipbuilding Advisor.	✓
	Defence Procurement Strategy	ADMs to look at how to present analysis on project and program risks in future briefings as well as a briefing on how schedules are set.	Completed	✓

s.21(1)(a) s.69(1)(g) re: (a)

s.21(1)(b) s.69(1)(g) re: (c)

	Projects Status Report	Follow up briefing is required on the role of Canada and ISI in the selection of the total ship design reference points.	Completed. Overtaken by events.	✓

s.20(1)(c)
s.21(1)(b)

s.69(1)(g) re: (a)
s.69(1)(g) re: (c)

DATE: 2017-06-01

PROJECT TITLE: Canadian Coast Guard - Offshore Oceanographic Science Vessel

PROJECT OBJECTIVE:

The Canadian Coast Guard is procuring an Offshore Oceanographic Science Vessel (Oceanographic Vessel) to replace CCGS Hudson (1963), its oldest and largest science vessel. The proposed replacement is expected to provide capabilities similar to those of CCGS Hudson acting as the primary offshore oceanographic science platform for Fisheries and Oceans Canada Science and the Government of Canada. The vessel will function in the following operational areas: Atlantic, year round; Arctic summer operations; and Gulf of St. Lawrence year round.

PROJECT PHASE: Definition

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, Vancouver Shipyards Co. Ltd. (VSY) was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- In October 2010, Canada awarded a design contract to STX Canada Marine Inc. (company was later acquired by VARD Marine). The Coast Guard accepted the design package in November 2011.

- In October 2012, Canada entered into contract with VSY in order for the shipyard to identify commonality in engineering and construction work items including structure, equipment, systems and components in the OFSV and OOSV design packages, with the goal of realizing efficiencies and reducing any potential redundant efforts.

- In November 2015, Canada awarded a Construction Engineering (CE) contract to VSY to undertake work necessary for construction of the Oceanographic Vessel. The work for Basic Design Assessment (BDA) is completed. Progress continues to be made on the BDA phase closure report. Option 1 of the CE contract - Basic Design Development (BDD) - has been exercised in December 2016 with work commencing effective November 2016.

- Since February 2016, a Long Lead Item / material contract is also in place for VSY to initiate early discussions with potential suppliers and to purchase material and equipment to build the Oceanographic Vessel.

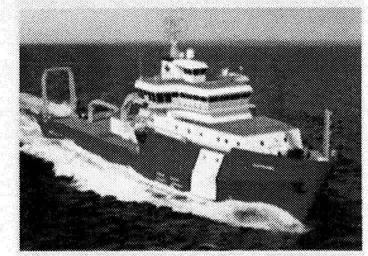
KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
Implementation – Contract Award		2018	
Implementation – Delivery		2021	
Implementation – Full Operational Capability		2021	
Project Closeout		2024	

FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 144.4
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (30 years)	

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

The Industrial and Regional Benefits Policy will be applied to the OOSV contract, including Construction and Engineering (CE), and Long-Lead Items (LLI) contracts. The total of value IRB obligations to date is $7.3M. In addition, the NSS Value Proposition equal to 0.05 percent of the value of the resultant contract applies to this procurement.

POINTS TO NOTE

N/A

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope			
Schedule			
Budget (Definition)			
Budget (Implentation)			
Human resources			
Procurement			
IRB/ITB/VP			
Technical			
Infrastructure			
Other			

TIMELINE

....	....	....	....	....	....	....	Contract Amendment	Contract Award	....	....	Final Delivery	....	....	Project Closeout	....
***	***	***	***	***	***	***	▼	▼	***	***	▼	***	***	▼	***
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
▲	***	▲	***	***	▲	▲	***	▲	***	***	▲	***	***	***	***
Contract award (design)		Contract award (commonality study)			Contract award (construction engineering)	Contract Award (Long-lead items)		Cut steel			Full Operational Capability				

s.69(1)(g) re: (a)

s.69(1)(g) re: (c)

s.20(1)(c)

s.21(1)(b)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...				
PMO Cost ($M)	...				
Contingency ($M)	...				
Total (by Millions)	...	$ 144.4 Public	...		

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority		Contract Information			
		Value (by Millions)	Approval Date	Value (by Millions)		Contract Date	Expended to Last Trimester
Seaspan's Vancouver Shipyards Co. Ltd.	Ancillary Task-based			2.8 CAD	Public	2014-08-14	
VARD Marine	Ancillary Task-based			1.2 CAD	Public	2014-06-22	
Seaspan's Vancouver Shipyards Co. Ltd.	Construction Engineering			36.5 CAD	Public	2015-11-15	
Seaspan's Vancouver Shipyards Co. Ltd.	Long Lead Items and Material			2.0 CAD	Public	2016-02-23	
				...	...		...
		... ...		...	...		...
		... ...		...	...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Master Agreement for the Provision of Projects/Programs Procurement Services - via Acquisition Branch, PSPC	PSPC and CCG	Contracting authority
National Shipbuilding Strategy (NSS)	PSPC, DND and Coast Guard	Implementation of the NSS
Horizontal Engineering Program Plan (HEPP)	PSPC, DND and Coast Guard	Horizontal program management, engineering and supply chain management

ADDITIONAL INFORMATION

- Basic Design Development, the second phase of construction engineering, is underway.
-
-
-

s.20(1)(c)
s.21(1)(b)

s.69(1)(g) re: (a)

s.69(1)(g) re: (c)

DATE: 2017-06-01

PROJECT TITLE: Canadian Coast Guard: Polar Icebreaker

PROJECT OBJECTIVE:

The Polar Icebreaker will replace Canada's largest and most capable heavy icebreaker, CCGS Louis S. St-Laurent (1969). The Polar Icebreaker will be a modern, multipurpose icebreaker capable of unrestricted autonomous operations in the Canadian Arctic and adjacent waters for an extended (9 month) operational season each year. The area of operation includes all Arctic Waters Pollution Prevention Act Shipping Control Zones plus all natural extensions of Canada's Exclusive Economic Zone.

PROJECT PHASE:

Definition

PROCUREMENT STRATEGY

Under Canada's National Shipbuilding Strategy, VSY was selected through a competitive process to build the country's non-combat vessels.

ACHIEVEMENTS

- In November 2011, Canada awarded the design contract to VARD Marine for the Polar Icebreaker.

- In October 2013, the decision was made under the National Shipbuilding Strategy to sequence the Polar Icebreaker project as the fourth procurement to occur at VSY (following the Royal Canadian Navy's Joint Support Ship project).

- In March 2014, the final Construction Specification and Design Package was delivered. Shortly after, the final of three detailed design stages was completed by VARD Marine, including an appraisal by Lloyd's Register. VARD Marine remains engaged in ongoing design maintenance and technical risk mitigation work, albeit at a reduced pace.

KEY MILESTONES

Milestone	Approved	Planned/Actual	Notes/Comments
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	
Implementation – Contract Award	[redacted]	2021	
Implementation – Delivery	[redacted]	2024	
Implementation – Full Operational Capability	[redacted]	2025	
Project Closeout	[redacted]	2027	
...			
...			
...			
...			

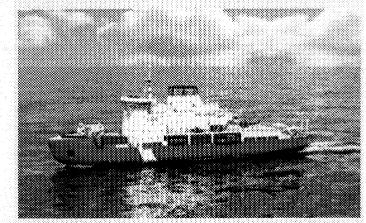
FINANCIALS	VALUE (BY MILLIONS)
Acquisition (including Project Management Costs, Infrastructure, Contracts and Contingency)	$ 800.0
Major In-Service Support Contract (over years)	
Personnel, Operations and Maintenance (Dep't estimate over years, excluding ISS cost)	
Estimated Life Expectancy (45 years)	

TIMELINE

....	....	....	....	....	....	....	....	....	Contract Award	....	....	Final Delivery	Full Operational Capabili	....	Project Closeout
***	***	***	***	***	***	***	***	***	▼	***	***	▼	▼	***	▼
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
***	***	***	***	***	[redacted]	▲	***	***	▲	***	***	***	***	***	***
					[redacted]	Contract Award (Construction Engineering)			Cut Steel						

INDUSTRY ENGAGEMENT ACTIVITIES

N/A



SOCIO-ECONOMIC BENEFITS

Industrial and Regional Benefits (IRB) equivalent to 100% of all contract values will be applied to this project. This information is updated annually. The Industrial and Regional Benefits Policy will be applied to the Polar Icebreaker project. In addition, the NSS Value Proposition equal to 0.05 percent of the value of the resultant contracts will apply to this procurement.

POINTS TO NOTE

[redacted] The 2013 sequencing decision required Coast Guard to extend the life of CCGS Louis S. St-Laurent. This vessel life extension work is being funded by the Polar Icebreaker project.

ISSUE/RISK ASSESSMENT

Area	Previous	Current	Issue/Risk Summary
Scope	[redacted]	[redacted]	[redacted]
Schedule	[redacted]	[redacted]	[redacted]
Budget (Definition)	[redacted]	[redacted]	[redacted]
Budget (Implentation)	[redacted]	[redacted]	
Human resources	[redacted]	[redacted]	
Procurement	[redacted]	[redacted]	
IRB/ITB/VP	[redacted]	[redacted]	
Technical	[redacted]	[redacted]	
Infrastructure	[redacted]	[redacted]	
Other	[redacted]	[redacted]	

s.69(1)(g) re: (a)

s.69(1)(g) re: (c)

s.20(1)(c)

s.21(1)(b)

PROJECT FINANCIAL STATUS (exclusive of GST/HST)

Costs	Policy-Approved Indicative Cost	Project Total Cost Estimate		Expenditure Authority	
		Project Approval	With IRMC-Approved Increases	Approved	Expended to Last Trimester
(Date)					
Acquisition ($M)	...	...	...	...	...
PMO Cost ($M)	...	...	...	...	...
Contingency ($M)	...	...	...	...	...
Total (by Millions)	$ 800.0 Public	$ 800.0 Public	$ 1,297.8 Public	$	

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

CONTRACTS FINANCIAL STATUS (This section is to be updated in consultation with PSPC.) (inclusive of GST/HST.)

Contractor	Deliverable	Approved Contracting Authority			Contract Information			
		Value (by Millions)		Approval Date	Value (by Millions)		Contract Date	Expended to Last Trimester
VARD Marine Inc. (Design Services Contract)	Detailed Contract Design Pkg / Const. Spec.						2015-04-12	
Vancouver Shipyards - Ancillary Task Authorization Contract (Expired 31 Mar 2016)	Task based - 9 tasks awarded				3.8 CAD	Public	2015-03-01	
		...	...		...	...		...
		...	...		...	...		...
		...	...		...	...		...
		...	...		...	...		...
		...	...		...	...		...

Note: Cost numbers in GREEN have been released to the public; numbers in RED not.

PLANNED/POTENTIAL USE OF MOU

Name of MOU	MOU Partners	Used for
Master Agreement for the Provision of Projects/Programs Procurement Services - via Acquisition Branch, PSPC	PSPC and CCG	Contracting Authority
National Shipbuilding Strategy (NSS)	PSPC, CCG, DND	Implementation of NSS
Horizontal Engineering Program Plan (HEPP)	PSPC, CCG, DND	Horizontal program management, engineering and supply chain management with Vancouver Shipyards.
Polar Icebreaker Project Annex No. 1 to CAN-US MOU for Cooperation in Ship Design and Construction	CCG, USCG	Information/technical exchanges to further fleet renewal objectives of both countries.

ADDITIONAL INFORMATION

Fisheries and Oceans Canada | Pêches et Océans Canada

Approved by ADM

Docket #: 2017-009-00343
Security Classification: SECRET

SCENARIO NOTE

SPECIAL DEPUTY MINISTERS GOVERNANCE COMMITTEE MEETING – DEFENCE PROCUREMENT STRATEGY – JUNE 8, 2017

Overview

This scenario note is provided for the Special Deputy Ministers Governance Committee (DMGC) meeting on June 8, 2017. The discussion will be held as a teleconference from 8:00am to 8:30pm.

The topics that will be discussed at this meeting are as follows:

1. **Opening Remarks**
   - No documents required
2.
   - For endorsement
   - Documents provided (Tab 2)
3. **Roundtable and Closing Remarks**
   - No documents required

Details and key messages are provided for issues that may be raised at the meeting.

1. Opening Remarks (Tab 1)

No documents required.

3. (Tab 2)

Overview

2017-009-00343 – Scenario Note – Special DMGC Meeting – June 8, 2017
Chrissy Sudjana, 998-4315, Policy Analyst / RG / RW / cs

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

Details on each of the options considered are provided in the table below:

4. Round Table and Closing Remarks (Tab 3)

No documents required

Fisheries and Oceans Canada | Pêches et Océans Canada

Approved by ADM

Docket #: 2017-009-00343
Security Classification: SECRET

SCENARIO NOTE

SPECIAL DEPUTY MINISTERS GOVERNANCE COMMITTEE MEETING – DEFENCE PROCUREMENT STRATEGY – JUNE 12, 2017

Overview

This scenario note is provided for the Special Deputy Ministers Governance Committee (DMGC) meeting on June 12, 2017. The discussion will be held as a teleconference from 8:00am to 8:30pm.

The topics that will be discussed at this meeting are as follows:

1. **Opening Remarks**
   - No documents required
2.
   - For endorsement
   - Documents provided (Tab 2)
3. **Roundtable and Closing Remarks**
   - No documents required

Details and key messages are provided for issues that may be raised at the meeting.

1. Opening Remarks (Tab 1)

No documents required.

3. (Tab 2)

4. Round Table and Closing Remarks (Tab 3)

No documents required

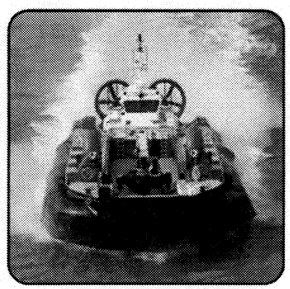
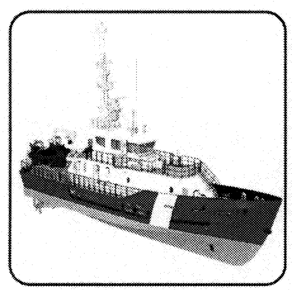
s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

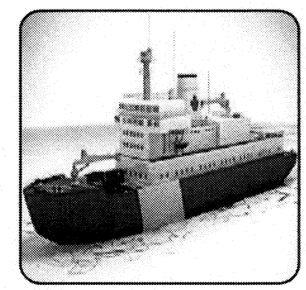
Annex A –

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Fisheries and Oceans Canada | Pêches et Océans Canada
Canadian Coast Guard | Garde côtière canadienne

Safety First, Service Always

Offshore Oceanographic Science Vessel (OOSV) Update

Morning Ops Brief

June 15, 2017

EKME- 3652431

Canada

s.20(1)(c)
s.21(1)(b)

OOSV

s.20(1)(c) s.21(1)(b) s.69(1)(g) re: (a) s.69(1)(g) re: (c) s.21(1)(b) s.21(1)(c)

OOSV Key Dates

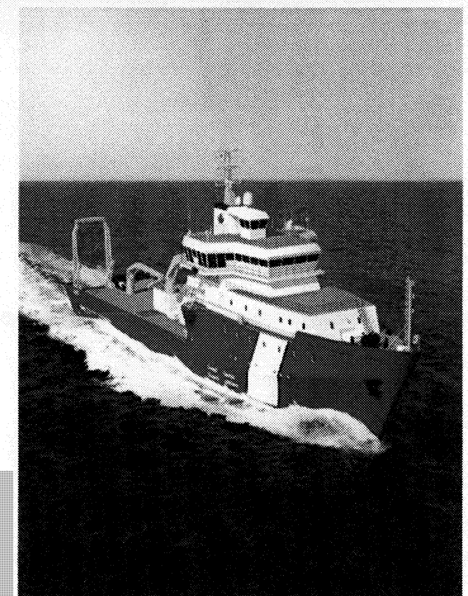
Milestone	Planned	Revised	Achieved
Construction Engineering Contract Award	August 10, 2015	November 4, 2015	November 4, 2015
BDA Complete	January 9, 2015	November 18, 2016	
BDD Start	March 12, 2015	November 24, 2016	November 24, 2016
Shipbuilding Contract Award	July 9, 2016	2018	
Construction Start	October 17, 2016		
Vessel Delivery	June 2017	2021	
Warranty Period Complete	May 2018		
Project Close-out	October 2018	2024	

Note: dates in red are '**Risk Affected**' dates from the Integrated Program Schedule (IPS) dated * April 2017; dates in blue are from the OOSV Project Integrated Master Schedule (IMS)

s.20(1)(c)
s.21(1)(b)

VSY Progress

Progress Under the Construction Engineering (CE) Contract



- CE Basic Design Development (BDD) contract option was exercised on December 22 2016, effective November 24.
  -
  -
  -

s.20(1)(c)
s.21(1)(b)

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Key Project Risks

Risk Severity	Risk Name

s.20(1)(c)
s.21(1)(a)
s.21(1)(b)

Upcoming Activities

s.69(1)(g) re: (a) s.69(1)(g) re: (c)

s.20(1)(c)
s.21(1)(c)

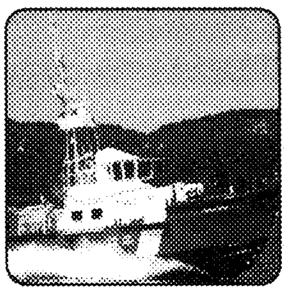
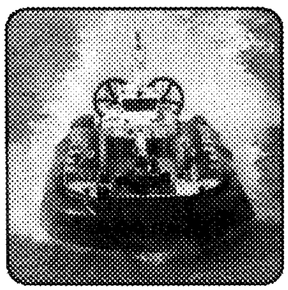
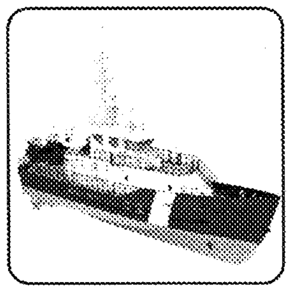
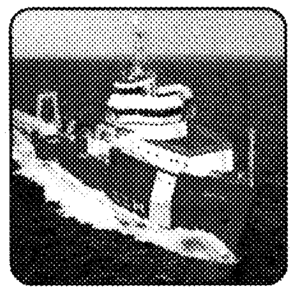
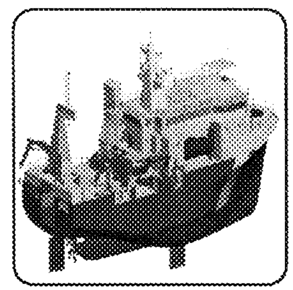
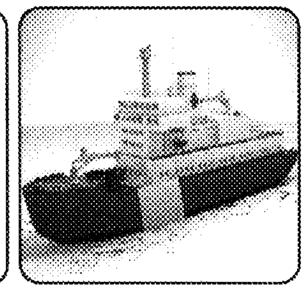
Questions?

s.20(1)(c)
s.21(1)(b)

Fisheries and Oceans Canada | Pêches et Océans Canada

Canadian Coast Guard | Garde côtière canadienne

Safety First, Service Always

Offshore Oceanographic Science Vessel Project Steering Committee

June 23, 2017

EKME #3787559

Canada

Outline

Item	Action Requested
• Project Update – Schedule – Progress at VSY – Key technical issues	Note
• Project Transition Plan – Outline presented for discussion	Note
• Concept of Operations – Draft to be circulated post-PSC	Note

Offshore Oceanographic Science Vessel

- Length approximately 86m
- Beam approximately 16m
- Draught 6.2m
- Displacement 4100 tonnes
- Fully integrated diesel electric
- Installed power of 3.9MW
- Economically speed of approximately 12 knots
- IACS PC 6 Category C

- Complement of 33 crew / 23 msn personnel
- 84 days logistical endurance
- 300m2 of laboratory space



VSY Progress

Progress Under the Construction Engineering (CE) Contract



- CE Basic Design Development (BDD) contract option was exercised on December 22 2016, effective November 24.
  -
  -
  -

s.20(1)(c)
s.21(1)(b)

OOSV Key Dates

Milestone	Planned	Revised	Achieved
Construction Engineering Contract Award	August 10, 2015	November 4, 2015	November 4, 2015
BDA Complete	January 9, 2015	November 18, 2016	
BDD Start	March 12, 2015	November 24, 2016	November 24, 2016
Shipbuilding Contract Award	July 9, 2016	2018	
Construction Start	October 17, 2016		
Vessel Delivery	June 2017	2021	
Warranty Period Complete	May 2018		
Project Close-out	October 2018	2024	

Note: dates in red are '**Risk Affected**' dates from the Integrated Program Schedule (IPS) dated * April 2017; dates in blue are from the OOSV Project Integrated Master Schedule (IMS)

s.20(1)(c)
s.21(1)(b)

Progress Summary

s.20(1)(c)
s.21(1)(b)

s.20(1)(c)
s.21(1)(b)

s.20(1)(c)
s.20(1)(b)

s.20(1)(c)
s.21(1)(b)

Key Project Risks

Risk Severity	Risk Name

Upcoming Activities

s.69(1)(g) re: (a)

s.69(1)(g) re: (c)

s.20(1)(c)
s.21(1)(b)

s.20(1)(c)
s.21(1)(b)



s.20(1)(c)
s.21(1)(b)

s.20(1)(c)
s.21(1)(b)

s.20(1)(c)
s.21(1)(b)

Concept of Operations (CONOPS)

- CONOPS has been under review and development by OOSV PD.
- Comprehensive set of mission profiles for key science missions drafted largely by DFO science with input from project staff
- Revised draft currently under internal review aiming to circulate more widely in July aiming for sign off by DG Ops and DG Strategic and Regulatory Science

s.20(1)(c)
s.21(1)(b)

Questions?

s.20(1)(c)
s.21(1)(b)

OOSV Key Operational Requirements

KEY OPERATIONAL REQUIREMENTS	HUDSON	OOSV TDP (2011)	OOSV (2015)
Cost	$6.5 M (1963)	114 M*	117.5 M*
Displacement (tonnes)	4500	3680	4140
Length (m)	90.4	78.1	85.9
Beam (m)	15.4	16	16
Draft (maximum 7.5 m)	6.8	6.05	5.8
Range (nm)	23100	13250	12000
Double Hull/Pol Prevention	yes	no	no
Speed (knots)	17	13.7	13.4
Sea State	6+	6	6
Ice Class	Lloyds 1A ~PC7	PC6	PC6
Complement	63	56	56
Crew	31	33	33
Science	32	23	23
Helicopter Capable	Limited /Nil	No	No
Lab Space (m^2)	250	300	300
Schedule	1962	2013	2018
Tier III	no	no	Yes

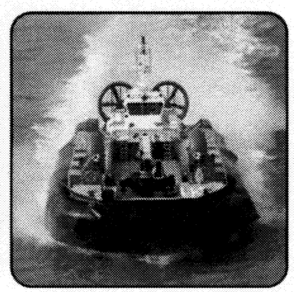
OOSV has improved acoustic and geophysical survey equipment

s.20(1)(c)
s.21(1)(b)

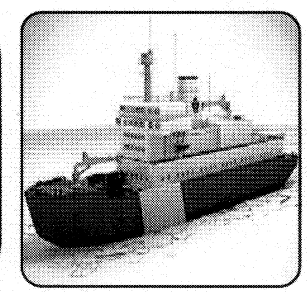
Fisheries and Oceans Canada | Pêches et Océans Canada
Canadian Coast Guard | Garde côtière canadienne

SECRET
Confidence of the Queen's Privy Council

Safety First, Service Always





Canadian Coast Guard Fleet Renewal

Update for the Minister's Office

June 30, 2017

Canada

Outline

SECRET

This presentation provides updates on the Coast Guard's Fleet Renewal projects:

- **Issues for Discussion**
  - Semi-Annual Shipyard Meeting - July 11, 2017
- **Projects and Issues**
  - Offshore Fisheries Science Vessel Project (OFSV)
  - Offshore Oceanographic Science Vessel Project (OOSV)
  - Helicopter Project
  - Small Vessel Projects
    - Search and Rescue Lifeboats
    - Channel Survey and Sounding Vessels
- **Annexes**
  A. Upcoming Projects
  B. Planned Project Authorities

Issues for Discussion – Shipyard Meeting

SECRET

- There is an upcoming semi-annual shipyard meeting with scheduled for July 11, 2017. Meeting will be attended by DMGC members, VSY and ISI
- The key topics of discussion at the meeting are expected to include the following:
  - New Integrated Project Schedule
  - Target State
  - OFSV- OOSV Production Gap Mitigation

s.20(1)(c)
s.21(1)(b)

Projects and Issues – Offshore Fisheries Science Vessels Project

SECRET

Offshore Fisheries Science Vessels - $687M

- **OFSV1** – Reached structural completion in June; shaft alignment complete marking a key achievement, and rudder blade has been installed. An Integrated Master Schedule with system and zone completion is now available; critical paths for hot work, cable pull and pipe installation have been determined (VSY Progress Report 51, period ending June 3-17);

- Construction began March 2016
-
- Planned to be cleared manufacturing SOCs by mid-Jul-17 (VSY Progress Report 51)

- Construction began February 2017
-
- (VSY Progress Report 51)

s.20(1)(c)
s.21(1)(b)

Projects and Issues – Offshore Fisheries Science Vessels Project (cont'd)

SECRET

Projects and Issues – Offshore Fisheries Science Vessels Project *(cont'd)*

SECRET

s.69(1)(g) re: (a)

s.20(1)(c)
s.21(1)(b)

Projects and Issues – Offshore Oceanographic Science Vessel Project

SECRET

Offshore Oceanographic Science Vessel -

- The vessel will replace CCGS *Hudson* and delivery is currently expected in 2021
- Construction expected to start in 2018;
- Pre-construction work underway on construction engineering and long lead items

s.69(1)(g) re: (a)

Shipbuilding Contract

-

Projects and Issues – Helicopter Project

SECRET

Helicopters - [redacted]

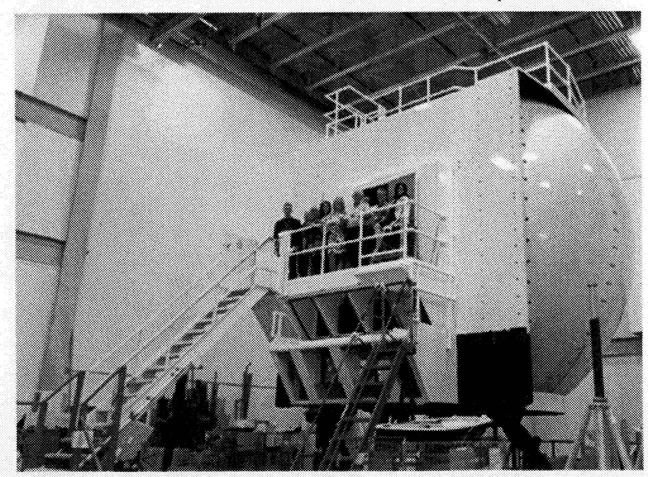
s.69(1)(g) re: (a)

- The medium-lift helicopters are in the process of being transitioned to their respective home bases
- Work is underway for the full flight simulator ($17.5M) at CAE in Montreal
  - Will be housed at Transport Canada's training facility in Ottawa; an expansion to the facility is underway – Completion date: August 2017
  - Delivery of the full flight simulator: Fall 2018
- Project also includes the procurement of two polar helicopters
  - [redacted]
  - [redacted]

s.21(1)(b)



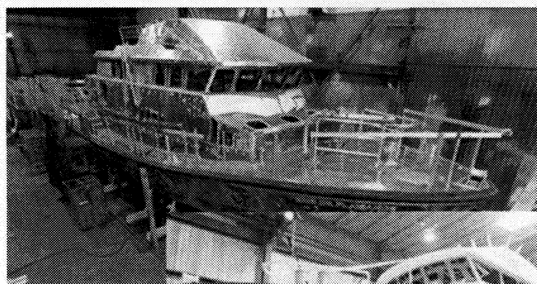
Bell 412EPI Medium-lift helicopter



FFS mothership at CAE

s.69(1)(g) re: (a)

Projects and Issues – Small Vessel Projects



CNF Vessel #1



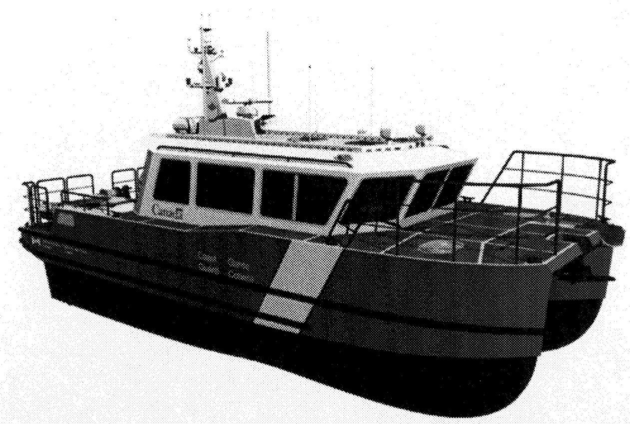
HMP Vessel #2

Search and Rescue (SAR) Lifeboats -

- Contracts awarded in July 2015 to Chantier Naval Forillon (CNF) and Hike Metal Products Ltd. (HMP) for 12 lifeboats, with options for an additional three vessels
- Two vessels at each shipyard under construction; deliveries expected from 2017 to 2022
- Canada exploring options for five additional Lifeboats approved under the *OPP*

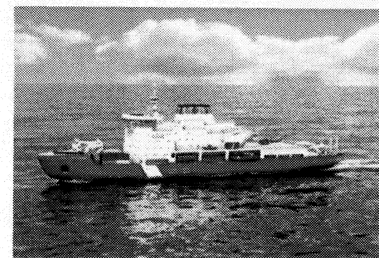
Channel Survey and Sounding Vessels (CSSV) -

- Coast Guard is procuring two CSSV to be used to survey and monitor the commercial channel in the St. Lawrence Seaway, from Montreal to L'Isle-aux-Coudres, Quebec
- $5M Contract awarded to Kanter Marine (St. Thomas, Ontario) on October 31, 2016
- Construction on the first vessel began on June 21, 2017
- Both vessels expected to be delivered by end of 2018



Annex A – Upcoming Projects

SECRET



Polar Icebreaker - $1.297B (replacing CCGS *Louis S. St-Laurent*)

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- CCGS *Louis S. St-Laurent* in service until the Polar Icebreaker is delivered
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- The Polar Icebreaker will enhance the Coast Guard's capabilities in icebreaking, providing emergency response, escorting vessels, and extricating vessels beset in ice. It will support northern marine transportation and industries, shipping, resource development and public safety and federal science research programs.





Medium Endurance Multi-Tasked Vessels and Offshore Patrol Vessels -

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- MEMTVs serve a variety of roles, including light icebreaking and buoy tending
- OPVs are used to support fisheries enforcement in the offshore zones (greater than 120 nautical miles) of the Atlantic and Pacific coasts
- As part of its work to update the Fleet Renewal Plan, Coast Guard is examining the possibility of recapitalizing these two classes of vessels with one multi-purpose hull form



Additional Classes of Small Vessels –

Withhold page in its entirety

s.69(1)(g) re: (a)

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (July ADMC/DMGC)

Sea	CAPITAL PROJECTS	Scope	Budget	Schedule (Slippage)*	Reasoning for rating & Key issues	Upcoming decisions / Action required
	Arctic and Offshore Patrol Ship (AOPS) (phase: IMPLEMENTATION)					
	Canadian Surface Combatant (CSC) (phase: DEFINITION)					
	Offshore Fisheries Science Vessel (OFSV) (phase: IMPLEMENTATION)			**Impacts** – One of Coast Guard's existing Offshore Fisheries Science Vessels, CCGS *Ricker*, has already been removed from		

	Scope	Budget	Schedule (Slippage) *	Reasoning for rating & Key issues	Upcoming decisions / Action required
			service earlier this year. **Mitigations** – Coast Guard chartered a vessel to complete missions originally planned for the *Ricker* until the new OFSV is delivered.		
Offshore Oceanographic Science Vessel (OOSV) (phase: **DEFINITION**)			**Mitigations** – CCGS *Hudson* is undergoing Vessel Life Extension (VLE) work to keep it in service until 2021.		

CAPITAL PROJECTS	Scope	Budget	Schedule (Slippage) *	Reasoning for rating & Key issues	Upcoming decisions / Action required
Joint Support Ship (JSS) (phase: **DEFINITION**)					

Polar Class Icebreaker (phase: **DEFINITION**)		**Mitigations** - The impacts of the schedule delay for this project have been mitigated, as VLE work is ongoing on CCGS *Louis S. St. Laurent*, which will keep in it service until the delivery of the Polar.	(No Change)	

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (July ADMC/DMGC)

AIR	CAPITAL PROJECTS	Scope	Budget	Schedule (Slippage)*	Reasoning for rating & Key issues	Upcoming decisions / Action required
	Fixed-Wing Search and Rescue (FWSAR) (phase: IMPLEMENTATION)					
	Future Fighter Capability Project (FFCP) (phase: **OPTIONS ANALYSIS** (schedule baseline: N/A)					

s.21(1)(a) s.69(1)(g) re: (a)
s.21(1)(b)

	Project		
	Interim Fighter Capability Project (IFCP) (phase: Definition)		
	Joint Unmanned Surv & Tgt Acq Sys (JUSTAS) (phase: OPTIONS ANALYSIS) (schedule baseline: N/A)		
	Maritime Helicopter Project (MHP) (phase: IMPLEMENTATION)		

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (July ADMC/DMGC)

s.21(1)(a) s.69(1)(g) re: (a)
s.21(1)(b)

LAND	**Logistics Vehicle Modernization (LVM)** (phase: OPTIONS ANALYSIS) (schedule baseline: N/A)					
SERVICE PROCUREMENTS		Scope	Budget	Schedule (Slippage)*	Reasoning for rating & Key issues	Upcoming decisions / Action required
SEA	**AOPS / JSS In-Service Support (AJISS)**					
SEA	**Interim Auxiliary Oiler Replenishment (iAOR)**					
AIR	**Contracted Airborne Training Services (CATS) III**					

***Note: Performance ratings for Budget, Schedule and Scope for project in the Option Analysis Phase are not reported.**

MAJOR PROCUREMENTS STATUS REPORT – EXECUTIVE SUMMARY (July ADMC/DMGC)

Annex A – Legend (MCP-IOC legend for Scope/Schedule/Budget color ratings)
To Projects / Procurements status report - Executive Summary

Area	Issue / Risk rating	Area	Issue / Risk rating
Scope	**For projects in definition / implementation:** Green – No change to the approved scope. Yellow – There are risks that will likely lead to scope change. Red – Approved scope unachievable. Return to approval authority.	**Schedule (Slippage)**	**For projects in definition:** Green – Within no more than three months (one quarter) or 110% of planned definition period whichever is greater*. Yellow – Within three to six months (one to two quarters) or 110-120% of planned definition period, or of approved re-baseline by MCP-IOC, whichever is greater*. Red – Over six months or longer than 120% of planned definition period or of approved re-baseline by MCP-IOC, whichever is greater*. **For projects in implementation:** Green – Within no more than six months (two quarters) or 110% of planned period to last major article delivery acceptance, whichever is greater*. Yellow – Within six to nine months (two to three quarters) or 110-120% of planned period to last major article delivery acceptance, or of approved re-baseline by MCP-IOC, whichever is greater*. Red – Over nine months or longer than 120% of planned period to last major article delivery acceptance, or of approved re-baseline by MCP-IOC, whichever is greater*. * Explanation for schedule colour: Consider a 90 months (e.g. definition) phase for a particular procurement – 110% of this phase is 99 months. In this case the schedule would be "yellow" between 9 months to 18 months delay vice between three to six months delay. Consider a 24 months phase (e.g. definition) for a procurement – 110% of this phase is 2.4 months. In this case the schedule would be "yellow" between three to six months. This approach to schedule performance is designed to even out (use a common denominator) the great variety of procurements' schedule.
Budget	**For projects in definition:** Green – Forecast is to remain within approved Expenditure Authority by employing no more than 50% of the approved contingency[2]. Yellow – Forecast is to remain within approved Expenditure Authority by employing more than 50% of the approved contingency[2]. Red – Forecast is to exceed approved Expenditure Authority including approved contingency[2]. **For projects in definition looking forward to implementation:** Green - Current implementation budget is anticipated to be sufficient to deliver the capability. Yellow - Current implementation budget may not be sufficient and there is a risk of capability trade-offs to remain within budget. Red - Clear indications that the current implementation budget will not be sufficient; minimum requirements may not be met. **For projects in implementation:** Green – Forecast is to remain within approved Expenditure Authority by employing no more than 50% of the approved contingency[2]. Yellow – Forecast is to remain within approved Expenditure Authority by employing more than 50% of the approved contingency[2]. Red – Forecast is to exceed approved Expenditure Authority including the approved contingency[2].		

Note 1: The schedule indicator in Yellow or Red will be turned to Green after the Project Approving Authority or Government committee, as applicable, approves a project submission with a new timeline. Between such submission approvals, the indicator in Yellow or Red cannot return to Green, while Red to Yellow is allowed.
Note 2: Refers to the portion of the approved project funding that is budgeted to allow departmental project managers some flexibility managing project risk which could result in unforeseen changes to costs, without re-engaging the project approval process.